NASA's German rocket team: Finally, space is its business

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## BUSINESS WEEK

A McGRAW-HILL PUBLICATION

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HAWAIIAN MERCHAN

NOV. 28, 1959

Among the old Hawaiian merchants, professional managers like Boyd MacNaughton are moving into the foreground. (Management)



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#### FIGURES of the WEEK

1947-49=100			^		160
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JFMAMJJASONDJFMAMJJASO	NDJ	FMA	M J J A 1959		
	1953-55	Year	Month	Week	§ Late
USINESS WEEK INDEX (chart)	Average 133.3	136.9	142.5	142.1 r	146.0
ODUCTION					
iteel inget (thous, of tons)	2,032	1,988	371	2,233r	2,49
Automobiles Ingineering const. awards (Eng. News-Rec. 4-wk. daily av. in thous.)	125,553 \$52,412	138,727 \$50,537	112,488 \$45,223	64,233r \$60,296	67,68 \$63,39
lectric power (millions of kilowatt-hours)	10,819	12,579	12,762	13,270	13,81
rude oil and condensate (daily av., thous. of bbl.)	6,536	6,975	6,875	6,876	
Bituminous coal (daily av., thous, of tons)	1,45 <b>5</b> 247,488	1,510 306,086	1,329 317,823	1,279r 331.839	323,36
aperboard (100s)	247,400	300,000	317,023	331,039	323,30
ADE					
Carloadings: mfrs., miscellaneous and l.c.l. (daily av., thous. of cars)	70	62	59	60	5
Carloadings: all others (daily av., thous. of cars)	47 121	45 157	38 160	39 155	16
Business failures (Dun & Bradstreet, number)	198	260	250	285	28
CICES					
ndustrial raw materials, daily index (BLS, 1947-49 = 100)	89.2	91.1	95.3	95.2	94
coodstuffs, daily index (BLS, 1947-49 = 100)	90.5	83.5	75.2	73.8	72
Print cloth (spot and nearby, yd.)	19.8¢	18.1∉	20.8€	21.8€	21.8
finished steel, index (BLS, 1947-49 = 100)	143.9 \$36.10	186.9 \$40.50	186.8 \$46.17	186.8 \$46.17	186. \$44.1
Copper (electrolytic, delivered price, E & MJ, lb.).	32.394e	29.095€	33.320€	35.225€	344.1
Aluminum, primary pig (U. S. del., E&MJ, lb.)	20.6∉	24.7€	24.7€	24.7€	1
Aluminum, secondary alloy #380, 1% zinc (U. S. del., E&MJ, lb.)	#	21.84€	23.78¢	23.76€	1
Wheat (No. 2, hard and dark hard winter, Kansas City, bu.)	\$2.34	\$1.99	\$2.06	\$2.06	\$2.0
Cotton, daily price (middling, 1 in., 14 designated markets, lb.)	34.57∉ \$1.96	34.74¢ \$1.66	31.60¢ \$1.80	31.59¢ \$1.85	31.61
vool teps (Boston, ID.)	\$1.90	\$1.00	\$1.00	\$1.03	\$1.8
NANCE					
500 stocks composite, price index (S&P's, 1941-43 = 10)	31.64	52.23	56.88	56.72	57.0
Medium grade corporate bond yield (Baa issues, Moody's)	3.59% 2-21/8%	4.85%	5.26%	5.28% 4%%	5.27° 45/8°
NKING (Millions of Dollars)					
Demand deposits adjusted, reporting member banks	:	61,169	60,805	60,837	
Total loans and investments, reporting member banks	‡	101,743	103,916	103,146	
commercial, industrial, and agricultural loans, reporting member banks	‡	31,699	30,476	30,669	1
J. S. gov't guaranteed obligations held, reporting member banks	26,424	34,004 27,087	28,483 28,664	27,693 28,651	28,75
DAITHLY FIGURES OF THE WIFE		1953-55	Year	Month	Lates
ONTHLY FIGURES OF THE WEEK		Average	Ago	Ago	Mont
	Private expenditures for new construction (in millions)Oct			00 507	
		\$2,390	\$3,176	\$3,537	\$3,41
Private expenditures for new construction (in millions)		\$2,390 \$980 114.6	\$3,176 \$1,584 123.7	\$3,537 \$1,485 125.2	\$3,4 \$1,3 125

<sup>\*</sup> Preliminary, week ended November 21, 1959, r Revised.

Not available.

Date for 'Latest Week' on each series on request.

THE PICTURES—Cover—Robert Goodman; 26—Ford Motor Co.; 29—Karl Jaros; 33—Herb Kratovil; 47—WW; 58, 59, 60, 61, 62, 64, 73—Dick Stone; 82—Tom O'Reilly; 107, 108—McGraw-Hill World News; 117, 118—Robert Phillips; 121—Herb Kratovil; 130—The Nashville Tennessean; 133—(top) Iva, (bot.) Werthan Bag Corp.; 168, 169—Robert Goodman; 177—C. A. Buzek.

#### **HOW ONE CUSTOMER "FREES-UP" \$8 MILLION IN WORKING MONEY**

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FORWARD-LOOKING BUSINESS



DULUTH'S TWIN WEIGHT LIFTERS PICK UP A JOB NO OTHER SEAWAY PORT COULD HANDLE...

## Wausau Story



AT DULUTH, MINNESOTA ... "Where the Seaway begins"

by C. A. BOESEL, President, Clyde Iron Works, Inc.

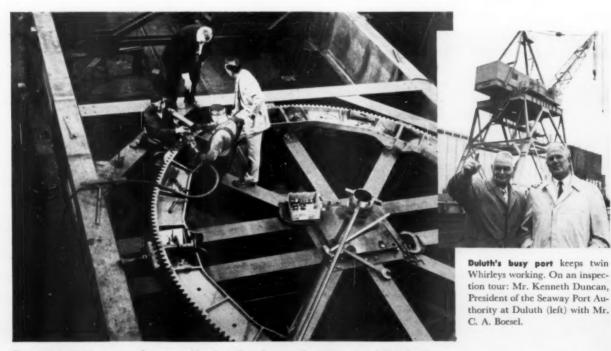
"When a complete steel mill was shipped from England to Canada last summer, Duluth was the port of entry. For two reasons: Our twin Whirleys pictured above were the only cranes on the Seaway powerful enough to lift the dismantled parts from the ship's hold.

"The whole mill weighed almost 1050 tons, but it was a pair of 125-ton castings that provided the real test. Our Whirleys picked up those castings with ease and, in record time, put them down on the railroad cars that carried them on to Canada.

"Because we build our Whirleys to perform that way, it's natural that any product or service we buy has to pass rigid tests too. For example in buying our insurance, we wanted savings to come through long-term rate reductions rather than through dividends alone.

"That's why we became a policyholder of Employers Mutuals of Wausau and why we've continued to be for over 21 years now. We have an average 10-year credit of more than 27%. Employers Mutuals helped us make this saving with safety engineering services that earned us rate reductions. Excellent service. Always helpful. And at a saving that counts! Employers Mutuals are 'good people to do business with.' We know."

With 109 Employers Mutuals offices throughout the United States, service is never more than a few hours away. We write all forms of fire, group and casualty insurance (including automobile) and we're one of the largest writers of workmen's compensation. Consult your telephone directory for your Wausau Man or write Wausau, Wisconsin.



The whirl in Whirleys comes from turntables that allow the rugged cranes to turn full-circle. At Clyde Iron Works, Inc., Superintendent Dan Pedersen points out a built-in safety feature to Russ Hammond, Employers Mutuals Safety Engineer.

Employers Mutuals of Wausau



"Good people to do business with"

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#### READERS REPORT

#### **B-School** Reports

Dear Sir:

. I have three questions on the Carnegie and Ford reports discussed in your article They Prescribe More Education, Less Business [BW-Oct.31'59,p84].

(1) What are the courses that help "make a man" and give meaning to life which liberal arts divisions provide exclusively? Surely the more specialized liberal arts courses are as "professional" as those offered in the recognized professional schools. A course in the Legal Aspects of Business with broad references to the meaning of law may make a better man than would a semester of Chaucer-no matter what the man intends to do on graduation.

(2) What are the needs pertinent to becoming a good businessman that may be fulfilled by liberal arts or general education? If these can be singled out specifically, business colleges might be encouraged to plan broader programs for their

students.

(3) The reports say "the chief task of the undergraduate schools is to give the students a good general education." Will this always be the case? . .

DR. RICHARD MARTIN LYON ASSOCIATE PROFESSOR COLLEGE OF COMMERCE UNIVERSITY OF NOTRE DAME NOTRE DAME, IND.

BUSINESS WEEK is to be complimented for reporting the results of the Carnegie and Ford reports. . Those of us who operate private business schools in the shadow of the college and university business schools are happy to see once and for all the truth told about what is going on. Many of us have known for a long time much of what has been reported by the two studies. If we said anything about it we were told to mind our own business for schools like Rochester Business Institute, which have been in business almost 100 years, were the original business schools of America. The high school and college then came into the picture for trying to take away from the private business school that training which the private business school had originally pioneered and developed.

Today in the United States, some 2,000 private business schools, good, bad, and indifferent, large



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# The Survey of the Detroit Market Detroit News

475,873 weekdays . . . 596,884 Sunday ABC 3-31-59

New York Office: Suite 1237, 60 East 42nd Street Padis Offica: 785 Market Street, San Francisco Chicago Offica: 435 N. Michigan Ave., Tribune Tower Miami Beach: The Leonard Co., 311 Lincoln Road and small, are performing a wonderful service for industry and without much acclaim or credit. The private business schools of America, from where I sit, are training shock troops of industry without financial assistance of any kind and very often without much encouragement from anybody. . . .

ERNEST W. VIEGEL, JR.

PRESIDENT

ROCHESTER BUSINESS INSTITUTE ROCHESTER, N. Y.

Dear Sir:

The article reported some observations made regarding the business program in American colleges and universities. It was interesting to note the similarity of suggestions made by the two groups.

Dr. Conant's recent study of the American high school also advocated the same general thesis that the nature of education ought to be more general or liberal and less vocational (specialized). Each of these reports, I believe, overlooked one essential point. As long as the American people are sold on the value of mass education and the upgrading of the level of such education to extend to college, business programs geared to meet the needs -not of an elite highly selected group of students-but to masses of students who desire a rather specialized education to fulfill particular vocational needs must exist. ERIC S. STEIN

INSTRUCTOR IN MARKETING CHICAGO CITY JUNIOR COLLEGE CHICAGO, ILL.

Dear Sir:

We undergraduates of the Management Science curriculum at Case Institute of Technology are a cocky crew. We wholeheartedly endorse Professors Pierson's, Gordon's, and Howell's recommendations [BW—Oct.31'59,p84]. But we are the exceptions to their rule of doubting the level and effectiveness of undergraduate curriculums in business administration.

Like all science and engineering students at Case we have four semesters of (1) calculus (differential, vector, integral, and diff. equations) (2) physics (Newtonian mechanics through quantum mechanics), and (3) Western Civilization. . . . As Management Science students we have four semesters of statistics (probability theory through statistical decision theory to Bose-Einstein statistics) and have two semesters of (1) psychology (2) operations research, (3) accounting, (4) organizational structures, (5) economics and finance, (6) history of science and technology, etc.

Versatility with a minimum of specialization is our keynote. For initial jobs we can qualify as mathematicians, industrial engineers, statisticians, programmers, or technical salesmen. At the same time we can babble on Babylonian astronomy and talk on topology or tensors from Euler to Carnap.

I offer this letter as a challenge to the better graduate schools of business, Harvard, et al. You may beat us on Saturday at football, but watch out the other six days.

HAROLD T. NISSLEY PRES., SOCIETY FOR THE ADVANCE-MENT OF MANAGEMENT

CASE INSTITUTE OF TECHNOLOGY CLEVELAND, OHIO

Dear Sir:

Your article calls attention to many weaknesses in this area of education. Many of those teaching in the business schools have long been aware of these problems, but the pressures of mass education and limited facilities have made improvement a slow process. There are schools, in addition to those mentioned, who are doing a respectable job. Thus there is reason to question the across-the-board condemnation implied in the report. . . .

DWIGHT GENTRY UNIVERSITY OF MARYLAND

COLLEGE PARK, MD.

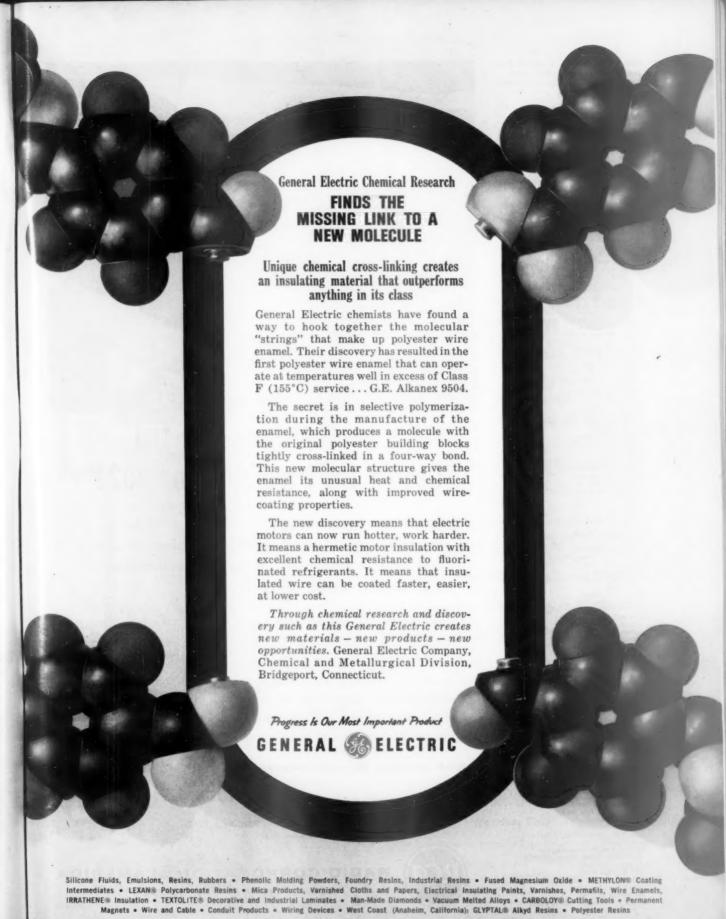
Dear Sir:

Your article was of great interest to business students at the University of Kansas City. We are getting this new business education, recommended in your article, coupled with strict academic standards. Our first two years are spent in the School of Liberal Arts taking foundation courses in social science, finite mathematics, physical sciences, philosophy, etc. This is followed by courses in Evolution of Modern Industrial Economy, Place of Business in Modern Society, Managerial Decision Making, Management Organization and Functions, Human Relations, Economics, Statistical Methods, Personnel Administration, and Accounting. . . .

Last year a group of students conducted a research project using the training tool of the "Business Management Game." This project was conducted on Sundays and . . . more than a dozen students participated. . . .

S. STANLEY DALEN SCHOOL OF BUSINESS UNIVERSITY OF KANSAS CITY

KANSAS CITY, MO.



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## "Snow's getting deep, Jim, and Debbie and I are stuck on 202!"

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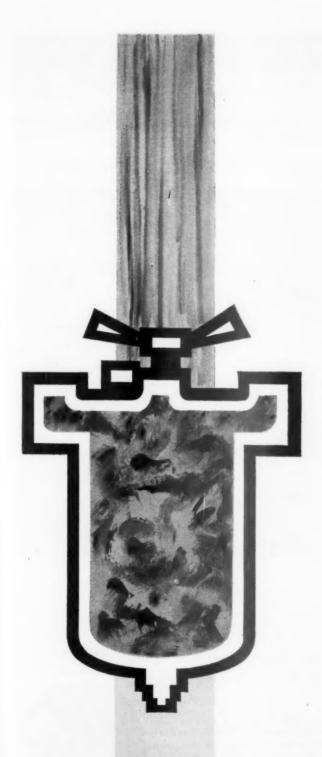
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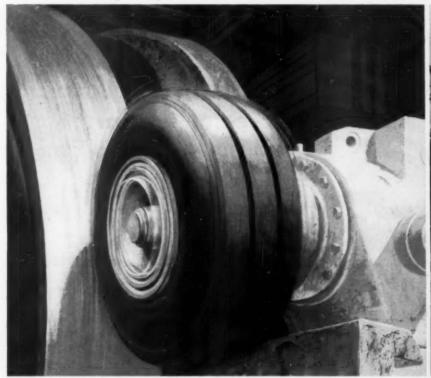
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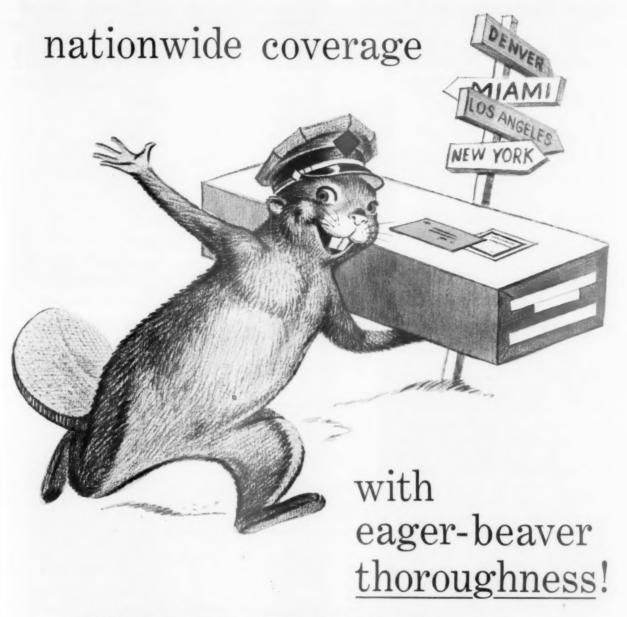
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VIRGINIA'S STRATEGIC LOCATION permits Lipton to distribute economically north and south along the entire Atlantic coast and through the midwest. Rail and trucking facilities at plant are excellent.



ABUNDANT ELECTRIC POWER was a factor in Lipton's choice of Virginia. Among other reasons were, "the favorable impression that the community made on company officials and the type of labor available."

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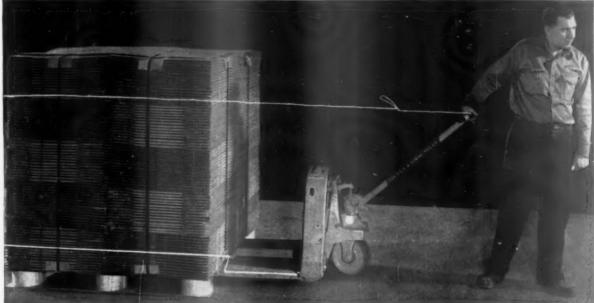
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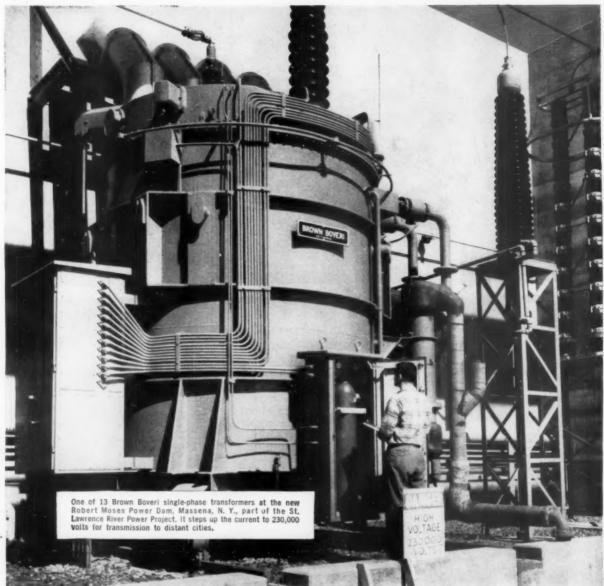


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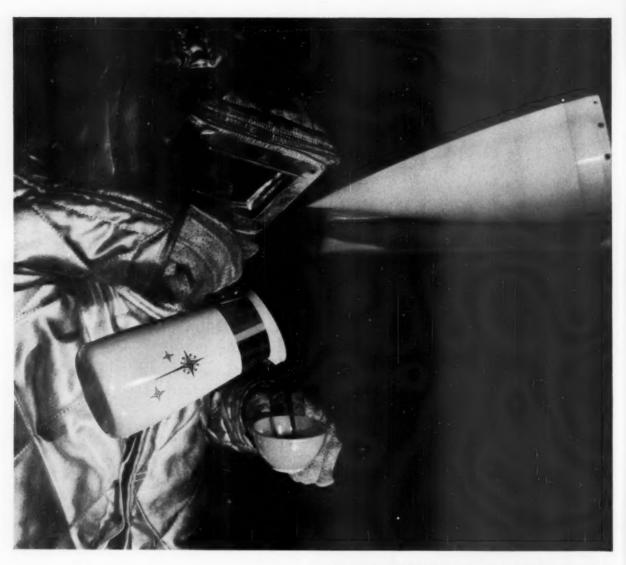
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## **BUSINESS OUTLOOK**

BUSINESS WEEK NOV. 28, 1959



Don't overlook the consumer as you watch production recover from the losses caused by the steel strike. He is shaping the business curve (even though inventory restocking will be getting the headlines).

Retail sales have been extraordinary, strike losses considered.

Stores are rolling up a record year, and merchandisers generally are confident that 1960 will continue the uptrend (page 34).

Production can (and often does) outrun consumer demand for limited periods of time. But this never can go on for very long.

Over the next few months, understandably, production will be geared more to making up for lost time than to actual retail sales.

Autos provide an outstanding example. Producers haven't been able to turn out enough cars even to test their market. Until they build dealer inventories, they can't guess how many customers they may have.

Confidence has to be high for manufacturers to go all out to make products on the untested assumption that the demand is there.

Yet big stores, feeling the buyer's pulse, share this confidence.

They've averaged gains of about 6% over a year ago (and the comparison is with a period of vigorous upturn last year). Even in strike areas, many are holding even with 1958—and a few even show small gains.

Consumers' income was dented during the strike, of course. But the dip averaged out to only 1% (though an average like this brings little consolation to the family whose breadwinner is out of work).

And here's one of the compensations of a graduated income tax:

The money actually available for spending, because of less for taxes, was practically the same in the third quarter as the record annual rate of \$335.3-billion set in the second quarter this year.

People spent even more in the third quarter than in the second, according to the official Washington estimates.

They paid out \$313.3-billion for goods and services at an annual rate, about \$2-billion more than in the preceding three months.

More spending out of incomes that were ever-so-slightly smaller naturally involved a cut in the rate of aggregate saving. (Borrowing, you will remember, counts as a reduction in savings in these calculations.)

Saving was running at about \$24-billion a year in the second quarter, but decreased \$2-billion in the third.

· Yet the third quarter's 61/2% saving rate is hardly a cause for alarm.

Patterns of consumer spending will be a little hard to follow when the November and December retail results are tabulated.

Actually, percentage gains may run lower than in most recent months.

This, however, won't be too significant. Mainly it will reflect the dearth of new cars and some appliances available to buyers.

#### BUSINESS OUTLOOK (Continued)

BUSINESS WEEK NOV. 28, 1959 Spending on durable goods such as autos and appliances rose to a record \$44-billion rate in the second quarter and fell only slightly in the third. But it will be below seasonal expectations in the fourth.

The point is that the hardgoods trend must be watched next year.

In 1958, when people shied away from big-ticket items, hardgoods got less than 12% of their after-tax income. By the summer of 1959, the rate had edged above 13%. The fourth quarter probably will show a dip.

If hardgoods producers are not to be disappointed, the amount of disposable income going for their products will have to go well above 13%.

Detroit's fourth-quarter production apparently is going to miss the original goal by about 750,000 cars (even though General Motors will start up again Dec. 7).

The schedule, back when it still was hoped that the steel strike might be short, called for an outpouring of more than 1.9-million cars for the three months. Now the actual figure will be under 1.2-million.

You have noticed, if you watch such things, that the motor car makers have been pampering their new babies.

Where the choice had to be made as to what models would get the steel, it went into the "compact" cars. Chevrolet kept Corvair output above 5,000 a week even after it had to begin pinching the standard line. And Ford now has Falcon production above 9,000 a week.

This will give the compacts a larger share of the November-December registrations than might have been the case in straight-out competition.

Look for the steel mills to be pouring ingots, with luck, at better than 90% of capacity well into next year. In fact, as the week ends, they apparently are above 90%. Reports to the American Iron & Steel Institute indicated this week's output would average out at 88%, up nearly 10 points from the week before.

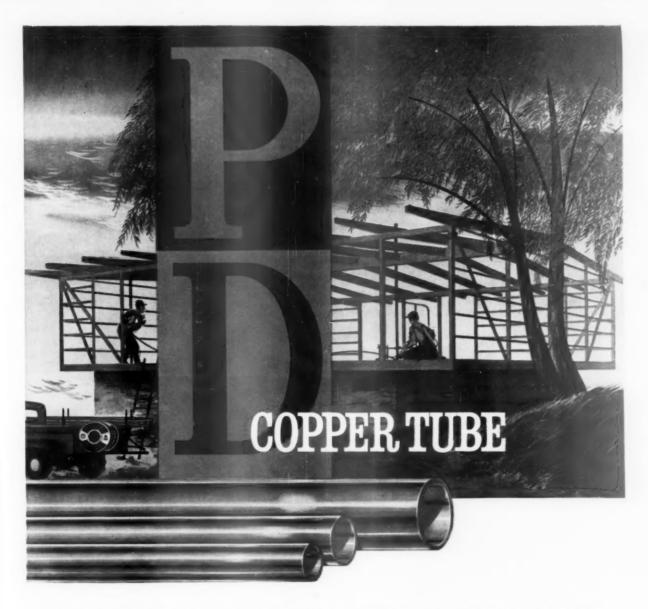
December should push pretty close to the record 11.6-million tons of steel poured in May—and has an outside chance of bettering it.

Under normal conditions, holidays can be expected to cut into output even though the pouring of ingots is a continuous process. But, under demand pressures such as those today, holidays usually go unnoticed.

Absenteeism around Christmas, in fact, probably stands less in the way of a new high than danger of wildcat strikes in present circumstances. Flattened bank accounts, after the strike, will work against absenteeism.

Evidence accumulates that construction is going to be one of the relatively unhappy industries in the coming year.

Contract awards for some time have indicated that a downturn was in the making. And the value of work put in place in October, according to the Census Bureau, not only continued the greater-than-seasonal decline visible since June but topped a year ago by only a modest margin.



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HONG KONG is the "shop window" through which Red China watches the activities of the free world. This 32 square mile island, with its capital city of Victoria, along with the mainland city of Kowloon and the New Territories beyond, make up the British Crown Colony. Hong Kong, faced with an upsurge of population from 600,000 in 1946 to today's 2,800,000 and a lack of living space, is capitalizing on the advantages of the skyscraper. Guided by their native instinct for quality, Hong Kong hanking, commercial and industrial leaders are providing these fast emerging skyscrapers with the world's finest completely automatic elevators. They're buying OTIS.



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## Crucial Farm Question for '60

• The political battle line is drawn around the Midwest, which can no longer be counted safely as Republican.

The Democrats appeal to the embattled farmer's pocketbook with their attacks on Secy. Benson's idea of removing some of the props from support pricing.

The voters will have their first chance to speak in a House election in Iowa in mid-December.

Not long ago, a group of the most influential Republicans in Congress and some of their advisers sat down informally in Washington to mull over the future. Inevitably, the talk turned to the problem posed by a \$2-billion drop in farm income, and one of those present described what happened then:

"All of a sudden, our conversation came to a dead end. Just thinking about farm put a wet blanket on us. One of the congressmen threw up his hands and moaned, 'There just ain't

any answer."

There are, of course, a variety of answers. But none of them has the broad political acceptance required to get American agriculture out of its present jam. The political parties are tugging in opposite directions; inside the parties, influential members quarrel among themselves. The farmers more often than not give the same appearance of division and bewilderment.

· Political Pivot-The political implications are immense, shoving economics and all else deep into the shade.

In a close Presidential race, the major farm states-meaning mainly the Middle West-can decide the outcome. Most knowledgeable post mortems on the 1948 Presidential race lead to the conclusion that a sharp hog price break was the decisive element in Harry S. Truman's victory over Republican Thomas E. Dewey.

In the states where corn is the big crop and hogs the big marketable item, there was a response to Truman's pledge that Washington would come to the rescue. The Corn Belt bolted from its traditional Republicanism, and these defections were enough to keep Dewey out of the White House.

· All Over Again-Once again, a Presi-

dential campaign comes up with GOP strategists facing a combination of disquieting factors in the Middle West, where farm problems always seem to come into sharpest focus. These are the major factors:

· A drastic break in hog prices has occurred. In 1958, the annual average hog price was slightly under \$20 per hundred lb.; this year's average will be around \$14.50. Agriculture Dept. forecasters expect the hog price decline to continue at least up to the eve of the Presidential campaign-possibly into the crucial vote-deciding months preceding the actual election.

· Beef cattle prices are in jeopardy. They have held up well this year, but in 1960, prices are expected to turn

· Agriculture Secv. Ezra T. Benson is determined to fight to the bitter end for a wheat reform policy that translates into a threat to drop federal support levels-now \$1.77 a bushel-to at most \$1.40. While this is merely a threat, with seemingly no chance for adoption in Congress, Republican political professionals feel strongly that it loses their party more friends than it makes in the farm country.

• Troubles Pile Up-Any one of these alone would cause some Republican concern, but there is still more of the picture. In 1958, for the first time since 1936, Democrats won a majority of the 135 House seats in the 13 Midwestern farm states. Republicans held an 84 to 51 edge after the 1956 elections; two years later, the same districts sent 73 Democrats and only 62 Republicans to Congress.

A new political test of rural Midwestern sentiment will be available in two weeks. A special Congressional election will be held Dec. 15 in Iowa's 4th District, to elect a successor to Democratic Rep. Steve Carter, who died recently. This is a rural district that flipped over to the Democrats in one of the genuine surprises of the 1958 election.

The 1958 elections were held, of course, in a time of general economic recession that contributed to Democratic successes. But politicians in both parties lav much of the blame on Benson, whose farm policies have kept him under attack by Democrats-and by many Midwestern Republicans, as well-ever since he came to Washington with Eisenhower in 1953.

If the Democrats hang on to Iowa's 4th District next month, politicians will interpret it as one more sign of GOP trouble in the traditional citadel

of Republicanism.

#### I. Gains in Crop Yield

The basic farm struggle finds the Republican Party, as symbolized by Benson and Pres. Eisenhower, pushing to minimize government's role in support of the basic agricultural economy. Democrats, through the party's National Advisory Council and their leading Presidential contenders, are going the opposite way.

· Wheat Issue-In the coming months, the big argument will revolve mostly about wheat. What has happened in this basic crop explains some of the broader ailments of agriculture as a whole. For example, in 1938 the average wheat production in the U.S. was 13.3 bu. per acre, worth 56¢ a bu. By 1958, the average yield was up to 27.3 bu. per acre, worth \$1.72 a bu.

So great is the surplus that the government, due to its commitment to support prices under the old parity concept, now owns a stockpile that would meet national needs for 2½ years if not a bushel were grown during that period. (Parity is a complex formula based on bygone years, when there was a highly favorable balance between the price of the farmer's produce and of the things he had to buy.)

· Productivity Gain-A technological revolution has swept rural America. Improved seed strains, remarkable gains in fertilizer production and efficiency, and irrigation have brought tremendous overabundance.

The story of wheat is repeated throughout the farm economy. Cotton production has jumped from an average of 235 lb. per acre to 469 lb. in two decades; corn, from 27.7 bu. to 51.7 bu.; peanuts, from 762 lb. to 1.205 lb., and burley tobacco, from 833 lb. to 1.567 lb.

This trend to fantastic efficiency, toward bigger farms, is worthy of examination in still another way. As of now, 92% of all U.S. farm crop sales are accounted for by 43% of the total number of farms. But these 43% encompass 76% of all farm acreage. Put another way, 57% of the total farms—with 24% of the acreage—account for only 8% of the salable farm product.

#### II. More Aid or Less?

Surveying the situation, Benson has concluded that it is time for agriculture to stand on its own economic feet. Efficient farmers, his thesis goes, can produce profitably for the market place, and it is time to pull down the high, parity-based federal supports that encourage surplus production.

In the case of wheat, the incentives to produce for government storage are so great that wheat-raising has spread far beyond its old confines in the midlands. At existing support levels, it can be grown profitably just about anywhere in the U.S.—and, as it turns out—at the taxpaver's expense.

 Artificial Prices—Only last week, John H. MacMillan, Jr., chairman of Cargill, Inc., a big processor and distributor of grains, put it like this;

"Wheat is being raised in the Southwestern farm states at costs as little as one-third of the support price. In 1958, Nebraska grew wheat for a statewide average of 79¢ a bushel . . . and I personally know of large-scale farmers who are growing it for 60¢ a bushel or less. If prices were not prohibitively high, our surpluses would disappear overnight on expanded markets throughout the world, and our problem would become one of needing more production, not less."

The Administration shies away from putting it bluntly, but in private both White House and Agriculture Dept. experts acknowledge that, over the long haul, the Benson program would shake out of agriculture many part-time or small and inefficient farmers. The alternative, as they see it, is to continue a subsidy of inefficiency—"as ridiculous," a Benson aide says, "as it would have been for the federal government to keep buggy makers in business when the automobile came along."

• Benson's Remedy—At present, wheat is supported at 75% of parity. Benson's proposal to Congress calls for abolition of the parity concept, and then relating federal supports to recent actual market prices. For wheat, he recommends 75% of the average market price for the three previous years.

ket price for the three previous years. The resultant 37¢ immediate drop in federal supports theoretically would squeeze out a lot of wheat-raising in marginal areas, where production costs are much higher than in the traditionally Grain Belt states. To soften the blow, Benson is proposing to raise to \$600-million-from \$375-million this year—the money for his conservation reserve program, in which farmers receive payment for taking acreage out of crop production for 5 to 10 years.

#### III. Political Dilemma

The Benson policy poses a dilemma for 1960. Vice-Pres. Nixon is known to consider Benson a liability. There is a fairly well documented story that at one time, not too far past, Nixon joined in fruitless petitions to the White House for Benson's dismissal from the Cabinet. But neither Nixon nor Gov. Nelson Rockefeller of New York, his potential GOP rival in 1960, has yet spelled out his own alternative farm program.

• Democrat Slant—The three hardestworking Democratic candidates, on the other hand, have been hitting hard on the farm issue. Sen. John F. Kennedy of Massachusetts, whose pro-Benson farm record prior to 1956 cost him Midwestern support and the Vice-Presidential nomination, now has swung over to join Benson's critics.

Kennedy, like Sens. Hubert Humphrey of Minnesota and Stuart Symington of Missouri, pledges to protect the small farmer to the last political ditch, against the threat of extinction. All acknowledge, however, a need to replace the parity concept. Their alternative would relate federal guarantees to actual production costs, with the objective being a "fair return" for all farmers.

What this would mean in any specific application has yet to be spelled out, but the Democratic trend runs toward some variation of the Brannan plan. This would require strict quota-type controls, with a direct federal subsidy making up a percentage of the difference between the farmer's expected "fair return" and his actual realization.

The Democratic Advisory Council, an arm of the National Committee, has suggested that any new farm program ought to make perishable commodities—beef and pork, principally—eligible for the same kind of federal supports given to non-perishables such as wheat.

Thus is established the farm battle line. The net U.S. farm income this year will be about \$11-billion, down from \$13-billion a year ago. A further but less precipitous drop is forecast for next year.

## The Edsel



1958: COMING ...



... GOING ...



... GONE '

## Dies, and Ford Regroups Survivors

Its \$450-million mistake in the past, Ford is strengthening the Ford Div. in a return to its pre-1955 centralization.

Ford Motor Co. last week admitted for all to know that its Edsel car was one of the most expensive mistakes a U.S. corporation has ever made. After costing Ford \$250-million to bring to market, the Edsel lost an estimated \$200-million more during the nearly 2½ years it was in production.

At the same time that Ford scuttled this first try for bigger sales in the medium-price bracket, it also retreated from its 1955 plan for separate car divisions to compete line-by-line with Gen-

eral Motors

· Erosion-Within four years, Ford brought out two completely new car lines-the Continental Mark II and the Edsel-and then abandoned both because of poor sales. In the same period it created four new car divisions-Continental, Lincoln, Mercury, Edsel-and junked them because sales weren't robust enough to carry the overhead.

In 1957 and 1958, Mercury, Edsel, and Lincoln were combined into one division, and about 6,000 salaried employees were discharged. Now Ford has transferred the Lincoln-Mercury Div.'s assembly, purchasing, and production engineering operations to the Ford Div., and about 600 more salaried personnel at L-M will be out of work. In the future, the Lincoln-Mercury Div. will be essentially a sales organization.

Luckily for Ford, these management miscalculations were offset by the smashing success of four new lines added by the Ford Div. over the same period-the Fairlane, the two-place Thunderbird, the four-place T-Bird, and last year the Galaxie. Since the Ford Div. was established as a separate entity in 1949, it has been accounting for 80% or more of company income. But in making sure that the division could always contribute so generously to revenues, the company had cut into the sales potential of both Edsel and

#### I. How to Defeat Yourself

The Continental, a luxurious \$10,-000 two-door, was never a large operation at Ford. Some members of company management will argue that the money lost on Continental was a cheap price to pay for the prestige it gave to all Ford products.

But Edsel's story came to a sad ending for a complex of reasons-understandable misinterpretation of the auto market, for one thing. In addition, there were some factors difficult for management to control-and others management might have been able to control but didn't.

· Long Buildup-Ford has always traced its planning of additional car lines back to 1948. The preparations were interrupted first by the Korean War and then by the grooming of the Continental, introduced in 1955 as a 1956 model. In April, 1955, Ford organized a Special Products Div. to develop a new medium-priced auto. At the same time, it set up the separate

Lincoln and Mercury Divs.

Meanwhile, in the fall of 1954, Lewis D. Crusoe, vice-president and general manager of the Ford Div., had unveiled the 1955 Ford Fairlane in an admitted attempt to vie with Buick and other medium-priced makes. At the time, the company's Mercury was its only entry in the middle range served by six GM and Chrysler cars. Said Crusoe: "I don't want to drive a man out of my store because he wants something better.'

· Wrong Reading-In 1955, it looked smart to sponsor a new and separate line of medium-priced cars. bracket was taking more than 40% of all sales. Inside the bracket, GM had 60% of the gravy-and Ford was envious. Besides, the higher a car's price,

the more profit there is in it.
But by September, 1957, when Edsel bowed as a 1958 model, nearly every medium-priced brand was in trouble. The U.S. was in a recession, and customers were screaming for small economy cars of the sort that were arriving from abroad. Crusoe's 1955 Fairlane had forced Chevrolet to come up with a super-duper model, too; price tags and features enabled them both, with some help from Plymouth, to bite deeply into what was traditionally the medium price range.

Ford Div. pushed into the mediumprice area again with 1958's four-place Thunderbird. Meantime, F. C. Reith, a Crusoe protege who headed the independent Mercury Div., had broadened his Mercury line with restyled cars for 1957 and the big, luxurious Park Lane for 1958. By the time Richard E.

Krafve, Edsel Div. general manager, rolled his car out, the field was full of booby traps.

#### II. Too Late to Turn Back

The perils were obvious to Ford officials. At Edsel's press showing in the summer of 1957, a reporter said to a Ford executive: "It all sounds good . . . provided there's still a market for

medium-priced cars." The Ford man gloomily agreed and added that if the company weren't in so deep, "we never would have brought it out now.'

The car had been named for the late Edsel Ford, father of company Pres. Henry Ford II and his brothers Benson and William. A new plant had been built for Edsel engines. A separate dealer force of some 1,400 had been lined up, and a fully staffed operating division had been organized.

· Market Studies-Conventional market research never went into the Edsel. Instead, Ford used a type of motivational research called "imagery studies." based on the premise that a customer can describe what kind of product will best reflect his image of himself-and be most acceptable to him.

In the more conventional approach to market studies, economic and social factors are sifted to seek out a chink in the product line-a group of consumers inadequately served. Such an analysis, even in 1955, probably would have revealed no chink in the medium-priced auto field. This would have led to the conclusion that Edsel would have to wrest customers away from its well-

established rivals.

Of course, it's not impossible for a new product to do this, even in the auto business. But Edsel's product turned out to be a nightmare, complete with collar. The original front end design by Ford's top styling people, strikingly similar to the 1959 Pontiac and 1960 Edsel, was discarded in favor of a design by the Edsel Div.'s own stylist. The tricky push-button shift in the center of the steering post turned out to be too

· More Models-When the idea first arose, Ford had contemplated only two new models, one in the low-medium bracket, another in the high-medium; Mercury could serve the area in between. Edsel was to have been handled by Lincoln dealers (who would be asked to drop Mercury) and by some Mercury outlets-but there were to be only a few exclusive dealers.

Instead, the final decision was to offer four models, blanketing Mercury as well as the GM and Chrysler competition, and to build a completely new and separate dealer network. This is something no auto company has done successfully since the 1920s.

In retrospect, these two decisions look like the biggest blunders of all, but you can't find a villain in Ford to blame. Ford's committee system thoroughly disguises individual responsibility at the top level. Besides, Crusoe, Krafve, and Reith all have left the company. By the time Robert S.

McNamara (BW-Sep.26'59,p74) became group vice-president for the car divisions, the Edsel program had reached the point of no return.

• Action, Too Late—Ford rectified some of its mistakes, but too late to help. The 1959 Edsel was in only two series, both of them at the low end of the medium-price bracket. The Lincoln-Mercury and Edsel dealers were combined and given the small British and German Ford cars to sell, too.

A year ago, a Ford study recommended death for Edsel, but top management feared dealer reaction. The final decision to discontinue was made last summer, before the 1960 model's debut. The timing was advanced because the prospectus filed last week by the Ford Foundation, in preparation for selling more of its Ford stock, would have to include a statement on the planned cancellation.

#### III. Centralizing Again

The advent of compact cars unquestionably is the dominant reason for giving up on Edsel after production of 110,000 cars. Ford already has announced a 114-in.-wheelbase auto, the Comet, for sale in the spring of 1960, in addition to the Falcon on the market now. At the time of the announcement, the company said Comet would be handled by the M-E-L Div., now the Lincoln-Mercury Div.

Reportedly, Ford planned Comet in late 1958 with the idea of scaling the Edsel down to compact size. Then the big Edsel could quietly have been junked. Then the thinking apparently changed; last summer Edsel sales picked up, and Detroit betting was that Ford would bring out the new compact and retain the big Edsel, too. Such hopes might account for giving the compact a different name, but the ultimate reason was doubtless a feeling that the Edsel label would be too much of a handicap for the new line.

With increased centralization, Ford returns to where it was organizationally in the spring of 1955—with a difference. This time, its two divisions both have nearly full lines of cars to sell. Lincoln-Mercury has the imports, the Comet, Mercury, and Lincoln; Ford Div. the Falcon, standard Ford, Galaxie, and T-Bird.

One management consultant thoroughly versed in Ford ways wonders if the trend back to centralization means Ford is working toward the use of data collecting and processing machines to replace layer on layer of office workers. Whether or not there's anything to this theory, it's obvious that past decentralization has cost Ford more money than the company thinks it can justify in the future to its growing number of public partners.

## Glimmer in the Steel Murk

- Negotiations are stirring again in steel.
- Apparently the gap is narrowing between union demands and what some companies are prepared to offer.
- Meanwhile, the outlook is brightening both in the dock dispute and in nonferrous metals.

Government officials seeking a settlement of the deadlocked steel contract dispute held a strategy conference in Washington this midweck—excited by reports of new stirrings in negotiations between the United Steelworkers and a number of independent companies.

Meanwhile, the labor-management outlook brightened, at least momentarily, in a number of other industries:

 Negotiations in the Atlantic and Gulf Coast dock dispute moved ahead as the International Longshoremen's Assn. and shippers reached substantial agreement on economic issues in conferences in New York. At midweek, negotiators were tackling a difficult automation issue, with hopes of a compromise settlement.

• Bargaining took an encouraging turn in the nonferrous industry, too. A settlement between Kennecott Copper Corp. and the United Steelworkers, for a "package" 22.3¢ an hour over two years, spurred negotiations between the Mine, Mill & Smelter Workers and other producers, struck for more than three months. MMSW negotiators said privately, early this week, that the Kennecott terms were "in a broad area in which it may be possible for us to

Rail labor officials said that there
is no imminent danger of a railroad
strike, although continuing mediation
shows no significant signs of progress.
A showdown may come in February,
union men warned, but walkouts before then are improbable.

• Faint Ray—The new, faint optimism in the steel dispute appeared to be based more on current possibilities of bargaining progress than on anything more substantial.

According to the reports heard in Washington, more than a dozen steel companies in the so-called "Cotham group" (companies outside the Steel Companies Coordinating Committee of 12 major producers) as well as several that are in SCCC, are narrowing the gap between management's offer to the United Steelworkers and the union's proposed settlement terms.

The inference is that these companies are negotiating with USW and may be about to settle on terms similar to those worked out by Kaiser Steel Corp. and the union (BW-Oct.31'59,p26).

No one involved will say that a settlement is near, but it is known that the Gotham group has been negotiating with USW and that at least some of its members, as well as a few companies linked with SCCC, have felt for a long time that the steel dispute should be settled without further hemming and having over work rules.

 Prospects—It's doubtful, right now, that an actual group offer has been made in negotiations with USW. Union officials denied at midweek that they had one under consideration. On the other hand, they conceded that before Taft-Hartley was invoked at least one of the group was ready to sign a contract.

The probability is that if an industrywide impasse continues, the Gotham group eventually will make an offer—or individual company offers—close to the USW terms for a settlement. The smaller companies in SCCC may do so, too. Agreements may result—though not so quickly as the current reports in Washington might indicate. The question is whether any agreements will be reached before the imminent end of the Taft-Hartley injunction period puts new pressure on all the companies.

An industry spokesman in Pittsburg! commented, "There's no reason for any-body to defect now—the men are back in the mills."

• Beating the Deadline—Meanwhile government officials met Wednesday in Washington to seek a strategy for settling the steel dispute before the strike restraining order runs out the last week in January and a new walkout becomes legal.

Joseph F. Finnegan, director of the Federal Mediation & Concilation Service, and other top mediators assigned to the steel dispute conferred with the President's board of inquiry headed by Dr. George W. Taylor of the University of Pennsylvania. Afterward, federal mediators and members of the board met with Labor Secv. James P. Mitchell to coordinate mediation plans (page 117).

• Some Progress—The government's representatives in the bargaining feel that the industry has made "very decided moves" toward settling even though its proposals on contract changes have been unacceptable to the

union. At this point, the union flatly rejects arbitration, as proposed by the

"Why should we arbitrate work practices?" a union spokesman said this week. "Arbitration is a one-way process, as we see it. If we win, we gain nothing. If we lose, we have to give up something. There's no point to that."

• Policy Shift—The mediators' big problem in the weeks ahead—before a deadline the last week in December—will be to overcome this argument. FMCS will work privately with the parties, probably separately at first. The Taylor board of inquiry will be involved, too, from time to time in public mediation efforts.

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Probably, by mid-December, government recommendations of settlement terms may be placed before the parties, with some insistence. That will be a shift of policy.

According to the present schedule, the board of inquiry will begin considering its 60-day report to the White House on the steel dispute—and on the companies' last offers to employees—about Dec. 8. The report will be sent to the President on Jan. 6. If there's no settlement then, the National Labor Relations Board must poll steelworkers, company by company, on last offers.

These offers may not be the same for each company, although it's safe to presume that the cost figures will be roughly the same. The differences are likely to show up in the work practices area, and, since the voting will be by companies, this could lead to a pattern of some rejections, some acceptances.

The result might be a partial resumption of the steel strike rather than another industrywide tieup.

• On the Waterfront—Last weekend, the Atlantic and Gulf Coast dock dispute appeared likely to give a preview of what could happen in the final days of the steel restraining order.

With the 60-day deadline approaching—the time for the board of inquiry to report "the current position of the parties"—the Presidential board in the dock dispute prepared to reconvene next week. The situation changed overnight as the New York employers "sweetened" their offer to the ILA. The parties were close to an agreement on economic issues at midweek, although the automation question—involving a cut in work crews—continued to be a troublemaking problem.



ORE BOATS line up at Duluth waiting their turn to be loaded. Frozen ore and ice formation in harbors cause further delays.

### Warm Front Eases Fears of Lakes Iron Shippers

Weather threw a scare last week into the Midwest steel companies hoping to get a safer stockpile of iron ore at the mill sites before the Great Lakes fleet lays up for the winter (BW-Nov.21'59, p38). An unseasonable cold snap dropped temperatures as low as -12F and slowed the shipment of iron ore from the Lake Superior mines just getting back into operation after the long steel strike.

At one time last week, about 30 vessels were waiting to be loaded in the Duluth area, and some had to wait five days for their turn.

This week, however, a warm front moved in, and the ore firms breathed a sigh of relief as temperatures climbed to the thirties over the weekend. A spokesman for a leading ore shipper said, "Nobody's worried now."

• Early Closing-Even if the warmer weather remains, the freeze last week

means that the shipping season will close earlier than many had desired when the steel truce came this month. One major shipping company says now, "Whether we will be able to operate after the first week of December, when insurance rates go up, will depend on the weather and to what extent shippers will be willing to help pay the increased costs."

 Frozen Ore—The major problem from the sudden cold was the freezing of iron ore in the railroad cars that move the mineral from mines to the loading piers on Lake Superior.

Steam is the main method of thawing the cars for dumping into the big Lake ships. However, not all the piers are equipped, and those with the needed steam can't begin to handle the number of cars of ore needed to maintain full shipping operations.

• Ice Formation-The other problem

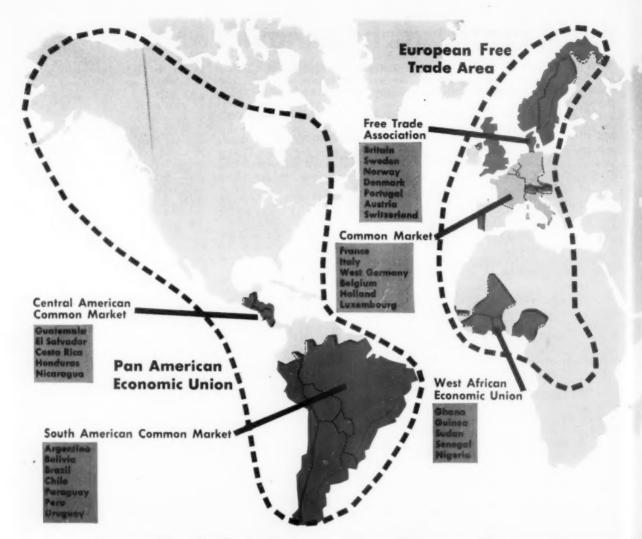
from the cold weather was ice formation in some harbors. A few small loading piers were closed for the season when ice interfered with operations.

ice interfered with operations.

Last week, the U.S. Coast Guard sent the season's first icebreaker to Ashland, Wis., to help move ore carriers hampered by 6 in. of ice that formed near the pier.

The warming trend this week slowed the ice formation on the upper lakes, but could not reverse the damage already done. By midweek, the Ashland ice was more than 8 in. thick at the dock, and loading operations for the season there were ended.

In spite of the sudden shock brought on by last week's cold, most companies feel that the iron ore stocks will last. The improved shipping conditions this week helped; but the imports that arrived at East Coast ports are even more encouraging.



## As Cold War Fades, Regional

Ten years from now the Free World may well be split into huge regional trading blocs more or less like those circled on the map above. That's how strong the momentum toward economic regionalism has become today.

Whatever the outcome, this trend is forcing Washington officials to reexamine the U.S.' postwar trade policies. These have been based on the Bretton Woods philosophy of the freest possible trade and payments within a worldwide multilateral system. Even U.S. support for the European Common Market has never been considered a real deviation from this policy.

The rethinking of our foreign trade policy parallels the rethinking going on in the political strategic area. There, too, we are shifting away from the concept of a world kept polarized by the open and direct confrontation of U. S. and Soviet power. Both politically and economically, the U. S. is searching for policies appropriate to a changing world

situation—one in which our position will not be quite so strong as it has been during the past decade.

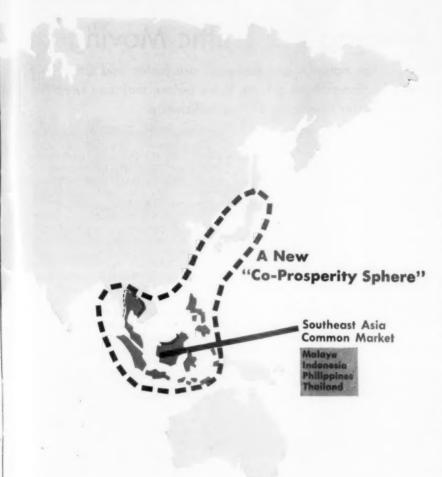
Double Signal—Two events last week—one in Europe and one here—show the strength of the trend toward economic regionalism:

• A second West European trading bloc came into existence at Stockholm with the signing of the convention for the European Free Trade Assn. This commits the "Outer Seven" nations (map) to eliminate most tariffs and trade barriers among them by 1970. An initial 20% tariff cut will be made next July. Each member, however, will continue to set its own trade policy toward the outside world, rather than joining in a common tariff as members of the Common Market will do.

 Gov. Nelson A. Rockefeller, an unannounced candidate for the Republican Presidential nomination, recommended in a speech to the National Foreign Trade Council that the U.S. itself take the lead in forming a Pan American economic union—a sort of common market embracing the whole Western hemisphere. As intermediate steps, he would like to see regional economic groupings in Latin America and a hemisphere payments union, comparable to the European Payments Union.

 Contagious—These are only the latest developments in what seems to be a worldwide trend toward various types and degrees of regional economic integration. The European Economic Community or Common Market, which went into operation last January, is only the first—though politically and socially the most ambitious—of the various schemes now in the works.

Five Central American states ratified a common market treaty recently, and hope to start negotiating trade barrier reduction next year. To the south of this group, seven South American countries hope to have a common market treaty ready for approval this winter.



## Trade Blocs Emerge

In Southeast Asia, Malaya, the Philippines, Indonesia, and Thailand have begun informal talks aimed at some form of economic union. If this scheme moves ahead, Japan probably will want to join its industrial economy to the group in order to build a new and more benevolent version of the prewar "coprosperity" sphere.

The newly independent states of West Africa, including Guinea, Ghana, Sudan, and Senegal, are groping in the same direction. There are tentative plans for an economic union between Tunisia and Morocco, with Algeria eventually coming in.

And the Soviet Bloc, of course, continues to move toward tighter economic integration even while it tries to expand its trade relations with the Free World.

#### I. Choice Facing U. S.

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For the U.S., the rapid spread of regional economic groups poses some

rather difficult questions. Three paths

Should Washington encourage the new regional moves as it did the European Common Market—on the theory that net economic and political affects will be advantageous to the U.S.?

Or does the deficit in the U.S. balance of payments, which dictates a big increase in U.S. exports, mean that the U.S. should not make any more exceptions to a rigid interpretation of the Bretton Woods concept?

Or should we follow Rockefeller's advice and consider establishing a regional economic club in the Western Hemisphere as a means of strengthening our bargaining positions against the other blocs or, at the worst, as a purely defensive measure?

• Danger—One thing is quite clear: If the U.S. were to take the third course, the die would be cast for a world of regional trading blocs like those shown on the map. It might still be possible

to keep the Bretton Woods goal in mind, and reach it some day as a matter of trade among blocs rather than among individual nations. But there would be real danger of a reversion to the kind of protection Britain encouraged in 1932 when it shifted to an imperial preference system.

The main line of policy laid down at Bretton Woods, and expressed in the creation of the International Monetary Fund and the General Agreement on Tariffs and Trade, has been the progressive freeing of trade and of international payments on a global basis. This approach calls for the maximum extension of the most-favored-nation principle, under which a trade concession granted to one nation automatically is extended to all others.

cally is extended to all others.

• Conflict of Views—But today, you will find Administration officials, especially in the State and Commerce Depts., who argue that the U.S. should actually encourage economic regionalism. Thomas Mann, Asst. Secy. of State for Economic Affairs, apparently feels we should join the bandwagon, form a hemisphere bloc along the lines suggested by Rockefeller. However, most officials at State and Commerce want the U.S. merely to modify its trade policies enough to accommodate the worldwide trend. This group puts its case this way:

The trend toward regionalism is a deep, historical one, and probably cannot be reversed by the U.S. The European nations, for example, were shocked by their wartime and postwar ordeals into realizing that they had to unite if they were to survive in a world dominated by the giant economies of the U.S. and U.S.S.R. The newly independent nations, too, feel they will never be able to maintain any real freedom from the great powers unless they

join forces economically.

On the opposite side there's a group of officials from the Treasury Dept. and Federal Reserve Board who fear both the economic and political effects of the discrimination that any regional bloc involves. This group is alarmed at the prospect of a Free World economy increasingly divided into trading compartments that discriminate and compete against each other. This looks to them like something the U.S. should discourage at a time when we face a serious economic challenge from the U.S.S.R.

#### II. Hemisphere Plan

Rockefeller tossed his proposal for a Pan American union right into the middle of this internal debate in Washington. But his scheme was not cooked up just to add color to the bid he is making for the Republican nomination. There was a strong hint of

it in one of the reports issued more than a year ago by the Rockefeller Brothers Fund Special Studies Project. And Rockefeller has become convinced since then that such a scheme makes sense as a means of strengthening both our political and economic ties with Latin America. He also sees it as necessary if we are to bargain effectively with Western Europe on trade matters. · How It Would Go-The hemisphere scheme, so far as it has been worked out, would involve the following steps:

. The U.S. would join the Latin American nations-and Canada, if Ottawa agreed-in establishing the broad long-term goal of a hemisphere common market. At the same time every encouragement would be given to the smaller regional groups that now are forming in Latin America.

· The U.S. would take the lead in establishing a hemisphere payment clearing system patterned roughly after the European Payments Union. This would be necessary to ease the transitional bumps as trade restrictions were

· A schedule of tariff and quota cuts would be agreed on as soon as possible-with the U.S. accepting a much faster timetable than either Canada or the Latin American members

· Probably there would be special provisions to cover agricultural products such as cotton, though not a managed-market setup like that planned by the European Common

Clearly one of the great advantages to Latin America and Canada would be the removal of restrictions against U.S. imports of oil and of such metals as lead and zinc. Although Rockefeller apparently would like the whole scheme to work simply by lowering existing barriers and not putting up any new , ones, it is conceivable that to assure Latin American producers of a steady coffee market in the U.S., we would have to slap a tariff on African coffee. · Critics-It's this sort of thing that the critics of the Rockefeller proposal fear most. They argue that a hemisphere preferential bloc would be bound to drive the independent African nations into a tight knit Euro-African bloc-after first forcing Europe's two trade blocs to get together.

In fact, the critics charge that there's no comparison between the economics of a Pan American economic union and the European Economic Community. In the latter you have states that are at the same level of industrial development, merging into a market comparable to that of the U.S. by itself. A hemisphere trading bloc, they say, would involve elements of the British imperial system in its heyday and a new version of the Japanese co-prosperity sphere.

Keeping the Traffic Moving

The nation's new freeways are faster and safer. But traffic engineers have a lot to learn before they can keep the thoroughfares operating at peak efficiency.

A famous American freeway complex has been described as "the fastest park-

ing lot in the West.'

How to avoid having all the nation's freeways turn into fast parking lotsinstead of performing their function of moving automobile traffic faster and smoothly-is the new task confronting highway and traffic engineers.

As a starter, federal, state, and private agencies have undertaken what is almost a crash program of rapid education. It takes the form of a series of seminars, sponsored by the Institute of Traffic Engineers and others. The latest, held at Denver last week, was attended by traffic engineers and officials from 20 states, Cuba, and Ontario.

· More Efficient-In the old days. county commissioners simply built a road, and the people used it. Now, the U. S. as a whole ultimately will become one huge freeway system through the medium of the new 41,000-mile interstate program. Some 6,110 miles are

already operative.

Despite the high first costs of the new freeways-\$3-million to \$15-million per mile-they do move traffic more cheaply and more safely per unit-mile of operation. Their efficiency improves steadily with intelligent operation, and accident rates and losses are less.

· New School-A lot of state and other regional highway and traffic engineers are still relatively unsophisticated as to what freeway construction and operation means. They are like people who have never driven anything but a Model T and are suddenly handed the keys to a 1960 Cadillac and told to drive.

The experience gained in tailoring the new highways to the community needs and vice versa is creating a new school of what might be called "super-traffic engineers." One observer at Denver said their diplomas appear to be harried expressions. Their enforced education might be described as a mixture of fluid-flow physics and of psychology that sometimes has to border on the field of abnormal psychology. · Human Element-Ideally, the free-

way systems should transmit particles from place to place as smoothly and rapidly as by the laws of fluid-flow physics, almost in canals or pipes. But in traffic reality, these particles are operated by humans of varying skills.

Some get bored and drive by reflex ("psychic inertia"), only to panie in an emergency. Others go to sleep. Some try to drive while drunk. Some cars are too old to maintain the freeway pace. · Complications-These hazards are complicated by such facts as that the best freeway operation can go along smoothly until near design-capacity, then, suddenly, the addition of just a few more cars can bring confusion, and reduce the traffic-transmitting capacity by 20%. Or sometimes both local highways and local laws are snailish in meeting freeway needs. For example, Alger Malo, Detroit's director of streets and traffic, told the 125 Denver conferees that the city had to enact new ordinances to keep horses, bikes, scoot-

trians off the Detroit freeways. In Kansas, according to Maj. Lloyd S. Vincent of the Kansas Highway Patrol, the state bars house-trailers from the Kansas Turnpike when winds blow more

ers, funeral processions, and even pedes-

than 25 miles an hour.

· Worst Enemies-The prevailing pattern of freeway accidents is that 60% are rear-end collisions, often multiple, mostly due to sudden stops or changes

Capt. E. L. Butler of the Denver traffic division described another freeway complication. When multi-lanes are built, he said, it is almost imperative to add a pull-out shoulder on the left, since a driver getting into trouble in the left lane finds it difficult if not suicidal to try to pull over to the right.

· Cost Factor-Another inevitable feature of freeways is the enormous maintenance cost. For example, according to Pennsylvania state traffic engineer Edmund R. Ricker, it cost \$1-million for temporary safety during partial reconstruction of the New Jersey Turnpike.

Just adding a modern sign system to Denver's 11-mile, \$33-million Valley Highway cost \$1-million. But the most fantastic examples come from California: It costs \$32,000 per mile per vear just to police state freeways; and the state legislature passed a law compelling the installation of overhead wires in tunnels so that drivers wouldn't lose their radio programs

while passing through.

· Electronic Aids-Traffic engineers are pinning their hopes on electromechanical aids-some of which are at least in the development stage-for freeway automation. Eventually, they hope for some sort of remote control built into the car itself by which a driver will throw a switch when he enters the freeway stream, and the freeway system itself will take over operation.



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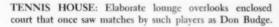
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MAIN HOUSE-Despite 12 bedrooms and 12 baths, Whitney house is a bit small for clubhouse its buyer wants to use it for.





CARETAKER'S HOUSE: With dogs and horses to raise and land to till, Whitney estate staff, now depleted, once ranged as high as 150.



## An Era Ends for Whitney Domain

A green parcel of landed aristocracy's old domain is passing into the hands of a sympathetic, but nonetheless commercial-minded, ownership.

Its old residents scattered, the threegeneration, 530-acre Cornelius Vanderbilt Whitney estate at Old Westbury, Long Island, N. Y., has been contracted for sale to a real estate speculator. Thus it follows a trend of recent years, and fades with other manorial landmarks of its kind (BW-Jul.4'59,p89).

C. V. Whitney, 60-year-old grandson of the estate's founder, and son of the

once socially prominent Harry Payne Whitney, is selling out to a youthful and little-known Manhattan businessman, Norman D. Blankman.

• Plan—Blankman, at 40, could well be on the way to creating his own somewhat different estate. Born in Harrisburg, Pa., son of a local dry cleaning executive, and educated at Penn State University, he got started with a Veterans Administration loan in 1946. His main interest: "Investment in apparently depressed real estate situations." Today, he is paying \$2-million-plus for

the Whitney property, which had an original asking price of \$3.8-million.

His idea is to keep the property in its present form and resell it, or lease it, as a private club—at least, the club idea is hottest in Blankman's mind.

The passing of many large country estates, incidentally, isn't attributed primarily to high cost. More often than not, says Blankman, this is a question of servant shortage, smaller family units among the wealthy, and greatly increased travel, as well as the increasing demand for land.

One of a series of analyses of key elements in next year's business situation.



Date: Dept. of Commerce. BW Estimate

## The Consumer Is Ready to Spend

jobs again, it will be a short shutdown.

In 1960, as the chart above shows, people will be spending money at a faster clip than ever before. Retail sales will reach an annual rate of about \$230billion, some 5% to 7% ahead of this

What's more, just about every segment of retailing will share in what seems almost certain to be a booming consumer economy as the country heads into the 1960s.

"I am amazed at the unanimity of opinion on the strength of consumer purchases during the first half," savs a Federal Reserve bank economist.

Backdrop to that unanimity is consumer income after taxes; it will be , climbing sharply and should easily exceed \$350-billion annually, for a gain of 5% to 6% (chart, right).

· Two Uncertainties-Only a couple of things cloud this rosy outlook as merchants push into the final 1959 selling season (BW-Nov.7'59,p34) and take a longer look ahead:

· One is tight money, which is likely to get tighter. It can measurably slow new residential construction, and this will tend to hold down dealer sales of household furnishings and appliances. Even so, factory sales are likely to spurt during the first half, to fill distribution pipelines depleted by shortages of steel.

· The other uncertainty is the steel situation. A renewal of the steel strike lasting for any great length of time would, of course, diminish purchasing power and cut into the supplies of hardgoods available to consumers. However, most forecasters are assuming that, even if steelworkers leave their

· Inventory Trend-If this is true, the only remaining fear of some economists is that a too rapid buildup of inventories during the first half might leave factories holding the bag. Retailers themselves are talking of inventories

that are more than adequate, but they have high hopes that sales during the Christmas season will wipe out any

With this hope, retailers are putting only a slight lid on inventories. As the economists of a major department store chain put it: "Our policy is simply to prevent excesses, rather than to slash back."

#### I. Buoyant Consumer

Because of the rise in personal incomes, most merchants are betting on a confident consumer who will be spending somewhat more freely in 1960. This year, despite the steel strike that softened parts of the market in October and the first half of November, sales have held up remarkably well. Gains for the year will be in the range of 4% over-all. Earlier higher estimates had to be cut back because of steel strike effects. Some of the buving slowdown may have created pent-up demand to be satisfied during 1960.

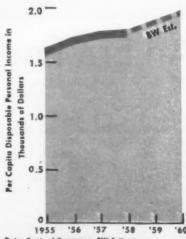
· Not Another '55-It's though, that consumers will be in the free-spending mood of 1955, when they went on the wildest credit spree in history. For one thing, they already have about a year of sharply increased credit buying behind them after coming out of the 1957-58 recession. For another, most consumers are pretty well stocked with goods, so they can spend their money more judiciously.

Fixed expenses are going up, too. Housing costs will be rising, services of all kinds will continue to take an increasing share of the consumer dollar, and clothing expenses will be a bigger factor in many family budgets as children grow older.

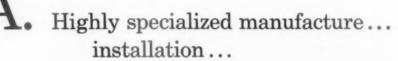
#### II. Food Aplenty

The consumer, though, is likely to get one break in 1960-lower food prices. That's the opinion of government experts, who think this fact will

#### Money **People Have to Spend**



Q. Just what does
Western Electric do
as part of the Bell
Telephone System?



\*purchasing...

distribution --

all directed towards producing the dependable round-the-clock Bell telephone service you enjoy every day.



\*A billion dollars' worth last year, from more than 30,000 suppliers.

have an important bearing on increased sales of durable and apparel items.

Food merchants themselves think they'll continue to get their usual share of the money that people have left after taxes. They don't look for any revolutions but think there will be more steaks sold, less hamburger. Housewives, with extra money to spend, will continue to be attracted by the higher-priced convenience foods.

Raymond G. Fisher, marketing vicepresident of Continental Can Co., says: "With spending at an all-time high, the housewife will give little thought to the few additional pennies she leaves at the supermarket in return for the myriad built-in services she takes home in her shopping bag. They will be represented to an increasing degree in 1960 by such items as cook-in pouches of gourmet foods, packaged cooked and frozen meats, and pressure-dispensed syrups and toppings."

• Shopping Around—Yet competition, say supermarket executives, is going to be as intense as ever. They cite split-shopping—buying part of your needs in one store, part in another to take advantage of specials—as an indication of the consumer demand for bargains.

"They buy more steaks," said one food retailer, "but only when you have a special at 79¢ a pound which they store in their freezer."

#### III. More Durables

With more money to spend and food prices lower, it is almost certain that durable goods (including automobiles) will continue the gains chalked up during 1959. There could be some softening by the fourth quarter, but delayed purchases as a result of the steel strike may well push that letdown further into the future.

Television set makers expect that retail sales gains will be sustained during 1960. The industry is selling 6.1-million or even 6.2-million sets this year, about 900,000 more than last. Next year the trade looks for a 6.3-million volume, a good year for the industry.

Other household appliances could be held back by the expected decline in housing starts, especially if it reached the proportions of a 15% dip, as seen by some bank executives. This dip in housing is one reason why some appliance people are not betting too heavily on major gains in 1960.

Whirlpool's market research director, Harvey Weimer, doesn't see how the appliance industry can increase total unit sales at the wholesale level by more than 1.5% over 1959.

On the other hand, household laundry equipment makers are betting on unit sales of \$5.82-million, close to the 1956 record high. This year,

laundry equipment sales were up 11%, and makers see a 5% gain over that in 1960.

#### IV. Credit-More and More

In the all-important area of consumer durables, credit is going to have a lot to do with consumer spending. Right now, the betting is strong that, for several months at least, there will be no decline in installment loans outstanding

Arthur Rosenbaum, Sears, Roebuck's economic research manager, says: "This appraisal is reinforced by analysis of the cyclical and long-range factors in installment credit growth, which indicates we are probably still months away from the peak in credit extension in the present cycle."

• Almost as Fast as '55—This year, consumer credit has climbed almost as rapidly as the \$5-billion added in 1955, the last big splurge. But the gains that year were from a smaller base, so the percentage increase in 1959 isn't so great

Consumers are paying out more of their spendable income—about 13%—for installment payments than they did in 1957 or 1958. But, say economists, there is no reason why that 13% can't become 14%, giving spending for hardgoods the continued spur of additional credit.

Consumers next year will be buying

in a market where prices, except for food, will be tending higher. Industrial prices, which eventually are reflected in consumer goods, will probably climb, depending a lot on what steel does.

### V. Higher Prices

For the first time in years, a government economist, Mrs. Ethel Hoover of the Bureau of Labor Statistics, thinks that there is a good chance for price increases in household goods and appliances—perhaps 2½%.

Not everybody agrees, but the appliance industry is at last ready to believe that its long price decline may be over. The deep pressure on prices—refrigerator prices are off as much as 35% at retail since 1948—is attributed to conditions to which the industry has now adjusted: the springing-up of discount houses, the industry's own overcapacity, and a lag in consumer demand.

Apparel prices too are firm, with some increases already announced. Stronger demand and better control of production account for part of this firmness. But competitive pressures, especially from imported goods, will keep any price increases within a narrow range.

Says a department store economist: "We just count on a 1% year-to-year boost in prices of general merchandise, on the average. It isn't likely to change."

### Health Plans Sort Out the Elderly

Blue Shield and Group Health Insurance, Inc., announce new coverage—with or without increased premiums.

One of the troubles for non-profit health insurance plans is their great success. Well aware that medical care is becoming more and more effective but also more expensive, millions have bought some sort of health plan.

For the non-profit agencies that are caught between a philosophy of medical care for everyone and the hard facts of actuarial life, this popularity has led straight to depletion of reserves. One big reason is that older people need far more health and medical care than the young, thus account for great chunks paid out by the health plans.

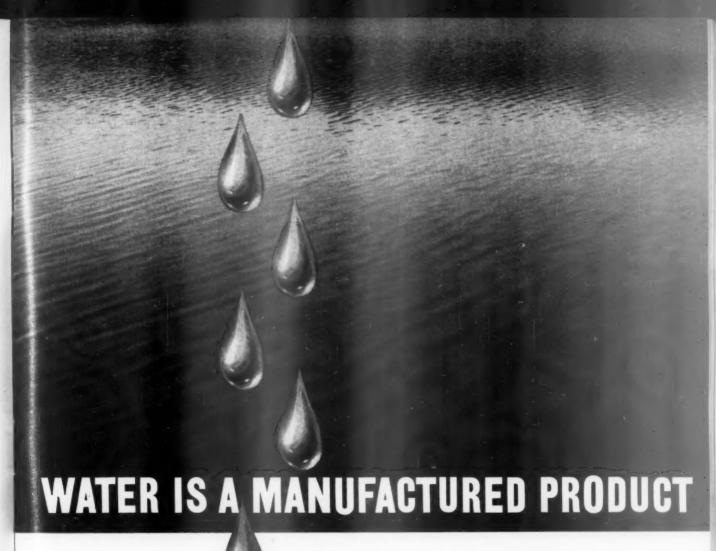
• Plans for Seniors—Some plans have countered this by making contracts unavailable to older people, especially those who are retired. Another solution is to charge older people more—after retirement, for example, they can continue to hold a policy, but only at higher premiums than the group rates while working. Still another way is to increase everyone's premiums.

In New York last week, two major plans-Blue Shield and Group Health Insurance, Inc.-announced new coverage for the elderly.

• Blue Shield Plan—Blue Shield, which is operated by the United Medical Service, proposes to offer people 65 years or older surgical and medical protection on a direct-payment basis. Buying protection as individuals is to be twice as costly as group rates.

 GHI Plan—Group Health Insurance, Inc., the oldest non-profit health plan in the East, proposes to extend its coverage to people who retire at the age of 60 or later. GHI said there would be no increase in rates; instead, it eventually will raise the basic rates of all its programs.

One feature of GHI's coverage is its Family Doctor Plan, under which GHI will pay for illnesses that can be treated at home. Many current health plans forbid payments unless a patient is hospitalized. GHI thinks its approach will take pressure off doctors and facilities, thus lower patients' bills and so hold down the need for higher premiums among the elderly.





...too expensive

Here's what Ansco Mfg. Co. gets out of a gallon of water (with the help of Neptune meters)

- Well water at 53° used first for air conditioning
- 2. Chlorinated, used for spray washing

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1959

- 3. Used in chemical dehumidifier
- 4. Passes through heat exchanger
- 5. Passes through ammonia condenser
- 6. Goes to fire protection reservoir
- 7. Finally used to cool roof

Water in the lakes and rivers is free, but there it's only a raw material.

Before you can use it, you put it through a complete chemical manufacturing process. You need expensive equipment and chemicals to collect it, store it, pipe it and purify it. By that time water is much too expensive to waste.

But how do you keep your people from wasting it?

Install water meters at every key point in your plant. Measure what every department or process uses. Ask the meters to uncover hidden leaks and careless habits. They show where you can save with automatic shut-off devices, by improving heat exchangers, by altering processes, by recirculating and reconditioning water for re-use. Don't dump a drop down the drain until you've gotten full use out of it.

Call Neptune for help in saving water costs. Though Neptune now means more than just meters, water conservation-through accurate metering-is still our biggest business.



NEPTUNE METER COMPANY

19 West 50th Street · New York 20, N. Y.

LIQUID METERS GAS METERS

**ELECTRONIC SYSTEMS and COMPONENTS** for MEASUREMENT and CONTROL

### In Business

## Light, Economical Combustion Engine With Only Two Moving Parts Unveiled

Curtiss-Wright Corp. this week rather gingerly unveiled another of its European-born technical finds in the U.S. This time it's a rotating internal combustion engine, with only two moving parts—a shaft and a triangular rotor.

The engine was developed at West Germany's NSU Werke, aided by C-W funds. In principle, it works more like a high-precision vacuum pump or blower than like

a conventional reciprocating engine.

The rotor swings around in an oval chamber, so that each side of the triangle first captures a slug of air and fuel, pins the mixture against the wall, and compresses it. Then the mixture is ignited, with the blast keeping the rotor turning, while the spent fuel is forced out a side port. Curtiss-Wright was coy about giving any more specific information on the engine.

Advantages claimed for the engine are lightness, simplicity, and a diesel-like modesty in fuel consumption. C-W will make the engine available for 1960 delivery in sizes from 100 hp. up to 700 hp. If built of aluminum, the engines should weigh only ½ lb. per hp., says C-W. The price is expected to be competitive with the cheaper gasoline engines; markets will include autos, trucks, boats, farm equipment, and some aircraft.

## CC Orders Feb. 1 Boosts On Parcel Post, Catalogue Rates

Starting Feb. 1, parcel post rates have been boosted an average 17.1% by the Interstate Commerce Commission. Catalogue rates have also been boosted by ICC, which controls these two areas; all other postal rates are set by Congress.

The new rates are expected to bring in an added \$88-million a year and to make parcel post self-supporting.

### Fabricators of Reinforcing Bars, Steel Mills Accused in Antitrust Suit

The Justice Dept. antitrusters have filed a suit in San Francisco charging that 12 fabricators of steel reinforcing bars, the trade organization to which they belong, and six steel producers have conspired to eliminate competition in the sale of reinforcing bars in seven Western states.

Fabricators are companies that either supply or shape reinforcing bars to meet the specifications of particular construction jobs, and sometimes even install the bars. In essence, the government charges that the fabricators sought to eliminate competition among themselves or with general contractors, and induced the steel mills to go along. Specifically, the suit says the fabricators:

Allocated jobs among themselves at uniform terms.
 Induced the mills not to sell to general contractors, and to limit other sales to bars not suited to heavy construction jobs.

Refused to buy bars produced abroad.

The government is asking the court to find all the defendants guilty of Sherman Act violations, and to grant an injunction against continuance of the allegedly illegal agreements, and against discrimination in sales by the mills.

Fabricators named as defendants are: Blue Diamond Corp. (now a division of Flintkote Co.); Flintkote itself; Ceco Steel Products; Gilmore-Skoubye Steel Contractors; Herrick Iron Works; F. A. Klinger, Inc.; Meehleis Steel; Pittsburgh-Des Moines Steel; Rutherford & Skoubye; Joseph T. Ryerson & Son; San Jose Steel; and Soule Steel.

The defendant mills are: Bethlehem Pacific Coast Steel (now a Bethlehem Steel division); Bethlehem itself; Judson Steel; Pacific States Steel; Southwest Steel Roll-

ing Mills; and U.S. Steel.

Bethlehem Steel refused to comment. U.S. Steel departed from its usual silence on matters in litigation with a statement that its policies in the matter had at all times been determined independently, in line with sound business judgment and practice.

### Teamwork by Radio-TV, Government Urged to Curb Deceptive Advertising

Federal Trade Commission Chmn. Earl W. Kintner wants the radio-television industry and government officials to get together to "develop sensible teamwork" that will ban deceptive advertising from the airwaves.

Kintner addressed his call for a Nov. 30 conference in Washington to the heads of CBS, NBC, and ABC, and to the National Assn. of Broadcasters. He invited representatives from the Federal Communications Com-

mission and the Justice Dept. to sit in.

Meanwhile, the Assn. of National Advertisers announced that Kintner had spelled out in a general way what constitutes deceptive advertising. As ANA sees it, any theatrical or technical device that implies properties that the product does not possess constitutes "material misrepresentation."

FTC has announced a new case, charging that the "protective shield" TV commercial for Colgate Dental Cream with Gardol is deceptive, and unfairly diverts

trade from competitors.

### Nixon Group Turns to the Practical

Vice-Pres. Nixon is shaking up his Cabinet Committee on Inflation & Growth. Some time after Jan. 1, W. Allen Wallis, a theorist rated stronger on scholarship than on politics, will drop out as staff director. He will be replaced by Walter Fackler, a U.S. Chamber of Commerce economist, whose colleagues consider him more acute politically than Wallis.

## **Newest business money-saver**

General Electric two-way mobile radio



Save minutes, miles and money! Drivers in constant communication with headquarters make more sales, spend less time backtracking between stops, average 20% more pickups and

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of im deliveries. Vehicles can be re-routed on the road to handle emergencies. Men and machines immediately become more productive—3 vehicles with radio can do the work of 4 without.



Fast contact. Talk to vehicles working far from any telephone—right from your desk. Sales and servicemen can check prices, inventory and trade-ins by G-E two-way radio, get fast decisions on the spot. Hot prospects don't have a chance to cool down—and sales curves climb.

Recent F.C.C. rules make every business eligible for two-way radio—to give you instant control of men and vehicles. The smallest, most reliable two-way radio you can buy today is General Electric's new Transistorized Progress Line (only four tubes). It fits in more places and uses less power than any other unit now available. Call your G-E communications consultant for complete details. He's listed under "Radio Communication Equipment" in the Yellow Pages. Or write General Electric Company, Communication Products Dept., Section 47119, Lynchburg, Va.

Who uses it? Truckers, contractors, appliance servicemen, salesmen, hospitals, ranches, and hundreds of others.



GENERAL ELECTRIC



# STAINLESS STEEL VALVES too

## **JENKINS**

#### PATTERNS AND ALLOYS TO SATISFY MOST INDUSTRIAL NEEDS

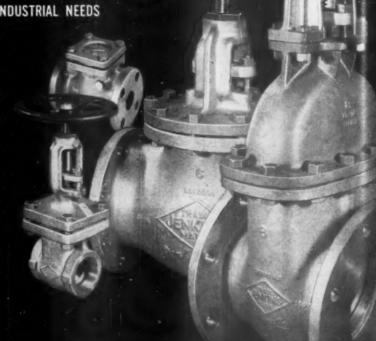
For solid reasons, men who ask for the best in Stainless Steel Valves have full confidence when they see the Jenkins Diamond. For almost a century this mark has appeared only on valves made to peak standards of quality in design ... in castings ... in machining. JENKINS standards, enforced by the most rigid inspection and testing in the valve industry.

Valves of corrosion resistant stainless steels have been made to those high standards by Jenkins for a quarter of a century. And today, the line of Jenkins Stainless Steel valves includes types and alloys to fully satisfy most service requirements.

They are available through the same leading distributors everywhere who sell Jenkins Valves of Bronze, Iron and Cast Steel. Jenkins Bros., 100 Park Avenue, New York 17, N. Y.

NEW JENKINS STAINLESS STEEL VALVE CATALOG Send for your copy today.





### WASHINGTON OUTLOOK

WASHINGTON BUREAU NOV. 28, 1959



The downtrend in housing starts is being watched carefully.

A revival of big-scale federal lending in the mortgage market is being talked up by Congressional Democrats as a possibility for 1960. Chairmen of both housing subcommittees—Sen. John J. Sparkman and Rep. Albert Rains—have mentioned this prospect recently.

The object: stimulation of private housing starts, which are now being squeezed severely by tight money. What Rains and Sparkman have in mind is revival of a special support program for use by the Federal National Mortgage Assn.—something in the order of \$1-billion—to buy FHA-insured and VA-guaranteed mortgages in the secondary market.

This approach is not a new idea. In the emergency Housing Act of 1958, Congress put Fannie Mae into the secondary market under a billion-dollar special support program. The industry credits that move with being a major factor in housing's recovery during the latter part of 1958, and its surging entry into 1959.

The Administration will oppose any hasty revival of the program. The feeling is that housing needs no push that might contribute to new inflationary pressures.

The official view as of now is that housing will have a good year in 1960. The expectation is 1.1-million to 1.2-million new starts, as against the near-record 1.3-million of the current year. This prediction is based pretty much on present money conditions.

Some top housing experts in government think there's a chance that conditions in the mortgage market may improve somewhat. They think that the Treasury will be less of a competitive factor in the money market by next spring. And they say that if savings and loan associations can continue to add to their deposits, they'll have more funds available for making forward mortgage commitments. Against this, however, is the fact that both business and consumers are expected to be heavy borrowers.

The housing industry is up in arms. The National Assn. of Home Builders has called an emergency meeting in Washington next week to chart a course of action to combat tight money.

The concept of a central mortgage bank may get a new push. As the builders envision it, such an institution—which would need a Congressional charter and funds from government, as well as from builders and investors—would become sort of a Federal Reserve for the \$125-billion home mortgage industry. Its prime function would be to keep a steady flow of funds available for mortgages, with the bank committed to picking up builders' paper at par. In effect, this would be a pegging operation. The idea is to put an end to discounting on government-backed mortgages, which always jumps sharply when the money flow is restricted. But it would have inflationary effect, just like the pegging of government bonds.

Pres. Eisenhower's public appeal for farm law reform is set back to January. The original plan was for him to make a nationwide radio-TV speech on the issue (page 25) in mid-December. That plan became a casualty of the President's foreign travel plans—a 19-day tour, beginning Dec. 3, that will take him to 11 Asian, African, and European nations. Best bet now is that the speech will be made in mid-January, probably from the White House.

### WASHINGTON OUTLOOK (Continued)

WASHINGTON BUREAU NOV. 28, 1959 The Administration yields a little on the "pork barrel" issue. In a surprising turnaround, Eisenhower agreed to recommend some new reclamation starts for the Western states in the forthcoming budget.

The real significance is not the dollar amount, which is unknown as yet. It is, rather, that the move will arm Republican candidates next year with a documented argument to answer Democratic charges that the GOP jeopardizes the West's economic future by tightening the tap on water resources development.

Hard political reality is pointed up here. The way of stringent economy, no matter how ardently it may be sought, is difficult without some temporizing, compromising.

The Democratic Advisory Council gets two major new members—Sens. John F. Kennedy and Stuart Symington. With their addition, all of the party's leading Presidential contenders save one—Senate Leader Lyndon Johnson—now belong to the Advisory Council.

This is scored as a point for Democratic Chmn. Paul M. Butler in his continuing, but temporarily subdued, feud with the party's Congressional leadership. Neither Johnson nor House Speaker Sam Rayburn likes either Butler or the liberal policy papers that the council, which is Butler's brainchild, issues periodically.

Johnson widens his campaign horizon to the Midwest, the East. In December and early January, he has at least six major speaking engagements in the farm country, and in Philadelphia, New York, and Washington.

This is a shift of strategy for the Texan. As the last session of Congress ended, he was determined to spend the recess months within the confines of his home state. His move into outside territory is interpreted here as a definite sign that Johnson wants to make a real hard run at the Presidency.

A new, exhaustive study of U.S. productivity is awaited with extraordinary interest.

It already stirs up a squabble between labor and management advisers to the Bureau of Labor Statistics, which is in charge of the report and plans to publish it early in 1960. The most ambitious attempt of its kind ever undertaken by Washington, it traces the increase in output per man-hour down through the years from 1909 through 1958.

Labor, management, and politicians have a big stake in it.

For the labor and management men the report will bear on the ability of business and industry to pay wage increases. BLS' advisory groups from the two sides already are in a heated struggle about how to present the figures—and what they mean.

Advance information on a part of the report shows an interesting trend since World War II. For the entire economy since 1947, the average rate of productivity increase has been 3.1% per year. But agriculture accounts for a disproportionate share of this. In the nonagricultural segments of the economy, the annual rate of increase is only about 2.3% a year—and it has been slipping gradually since 1955.

## style is stainless steel

Stainless Steel is the only surfacing material with a hard lustrous finish that is always in style, withstands exposure to all kinds of wear and has a low maintenance cost for the life of the building.

No other metal offers the freedom of design and fabrication, economy of care and the durable beauty that serves and sells like Stainless Steel.

McLOUTH STEEL CORPORATION, Detroit 17, Michigan



McLOUTH STAINLESS STEEL

HIGH QUALITY SHEET AND STRIP

for architecture

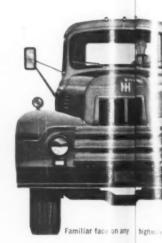






























# **12 Famous Faces** of International

They'd go far on looks alone. They go even farther on the strength of what's underneath!

Facing you at left are the 12 basic front-end designs that identify more than 500 different INTERNATIONAL Truck models, by wheelbases.

These are trucks built for different jobs, to save money for different owners. They're not turned out of one mold to save production costs for International Harvester.

The "family resemblance" is underneath . . .

In engine power. International offers 39 engines for gasoline, diesel or LPG. Each is *truck-designed* to deliver more pulling ability at lower rpm., for long-run economy.

In new features and improvements. They're worked into production as soon as they're ready and proved right. That way, new models come out all the time. Truck users don't live by a "model year." Neither do International engineers.

In the chassis. Each clutch, brake, spring, axle and chassis component is truck-type pure and simple. Truck-tested for long life and service accessibility.

What's behind all this variety? One idea: to provide the right truck for any job. International does it. And by building 'em for every general use, as well as every special application, International is able to combine a custom-builder's skill with a volume manufacturer's price.

See your International Branch or Dealer and see for yourself.

## INTERNATIONAL TRUCKS

WORLD'S MOST COMPLETE LINE

International Harvester Company, Chicago
Motor Trucks • Crawler Tractors
Construction Equipment • McCormick ®
Farm Equipment and Farmall ® Tractors



## Look what's better now... because of Du Pont ZYTEL®

NYLON RESINS

Sometimes the use of Zytel can revolutionize an industry. This happened recently in the case of pattern chains for weaving machines where the light weight, strength and cleanliness of Zytel suddenly made metallic chains obsolete. Now Zytel brings a revolutionary new development to the firearms industry.

The new stocks are colorable, richly detailed, one-fifth the weight of wooden stocks. The form stability of Zytel permits precise mounting of the barrel assembly for matchrifle accuracy. These big components are injection-molded in giant, new molding machines. The parts are mass-produced at high rates to finish tolerances. These attractive gunstocks save costs with substantial improvements in quality.

This shows you how the use of ZYTEL can represent a breakthrough on all fronts, including the major one of cost. Re-examine your products in the light of this experience. Can ZYTEL help you? We're ready to aid you with design, processing and technical data. Write today and tell us your problem. E. I. du Pont de Nemours & Co. (Inc.), Department D-1128, Room 25072, Nemours Building, Wilmington 98, Delaware.

In Canada: Du Pont of Canada Ltd., P.O. Box 660, Montreal, Quebec.



PORTABLE WASHING MACHINE uses complex moldings of ZYTEL for light weight and resistance to corrosion. ZYTEL nylon resins are strong in thin sections . . . parts are guaranteed by AMI for five years. (Molded by Michigan Plastics Products, Grand Haven, Michigan, for AMI, Incorporated, Grand Rapids, Mich.)



NYLON HANDLES on this new kitchentool set are unbreakable in normal use. These attractive, rivetless handles of ZYTEL are custom-colored . . . designed to fit the hand perfectly. Soaps and detergents can't harm them. They're boilproof, too, (By Maynard Manufacturing Company, Glendale, California.)

Watch the "Du Pont Show of the Month"-90 minutes of the best in live television-CBS Network





BETTER THINGS FOR BETTER LIVING . . . THROUGH CHEMISTRY



NEW REMINGTON 22 is the first rifle with a gunstock of structural-nylon. Made of Du Pont ZYTEL, the stock is extremely strong, light in weight and durable under all field conditions. Colorability of ZYTEL ushers in a new era in stock design. (Nylon 66 autoloading 22 rifle by Remington Arms Company, Inc., Bridgeport2, Connecticut.)



LESTER PONDER, right, Indianapolis attorney, was one of a panel of Mills Committee witnesses who spent three days last week ...

## Poking Holes in Tax Form 1040

Economists and other tax experts got down to fundamentals, some of which may affect new tax legislation.

The tax law writers of Congress last week stepped warily and with many a backward glance into the cockeyed world of the taxpayer who makes \$7,000 a year or more, has a mortgage, and uses the long 1040 form to figure his tax bill.

What they found was not particularly reassuring.

"There is already so much criticism of the existing situation that something will have to be done," Samuel H. Hel-lenbrand, New York attorney, testified at a hearing in Washington. Most of the witnesses and many of the legislators agreed.

What Chmn. Wilbur Mills and his House Ways & Means Committee are exploring is the possibility of a double shuffle that would lower personal rates on the one hand but would tax more income on the other. The result could be a shift of billions of dollars of additional tax liability to the above-\$7,000 brackets. The political consequences, of course, could be explosive.

· Root of the Matter-The committee spent the better part of three days listening to economists and lawyers suggest ways of making middle- and upperbracket returns less complicated, more equitable-and richer in dollars for the U.S. Treasury.

It's not the money alone that concerns the practical men who write the country's tax laws. A change of the kind they are considering would upset customs and traditions that are older than the income tax itself.

The committee is not stopping now to do the painful arithmetic or to count the possible political consequences. It is casting its net widely for fresh ideas. Many of these will never be given serious consideration, but some seem likely to affect the direction of tax policy for years to come.

· Double Standard-As long as a taxpayer rents a house and makes less than

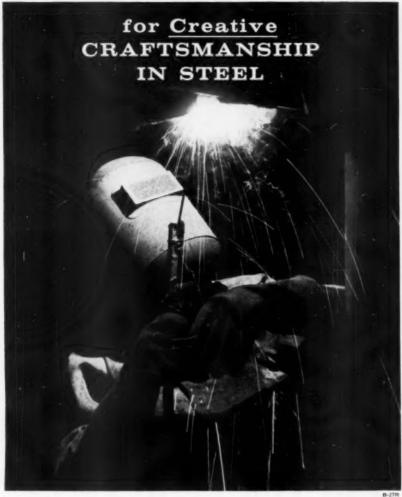
\$5,000 a year, collection of his tax is no problem to himself or the Internal Revenue Service. Withholdings and the standard 10% deduction for personal expenses are the sugar coating. It is an efficient system to the taxpavers involved-it even seems a mite too efficient at times, Peter Henle of the AFL-CIO told the committee.

But once the taxpaver acquires a house and adds \$2,000 to his income, he encounters the marvels of exemptions, deductions, exclusions, and credits-a new system in which dollars are taxed differently according to where they come from and how they are spent.

The result is that equal incomes are taxed unequally, in violation of the classical ideal of a just revenue system.

#### I. What is Income?

Tax theory-unlike tax politics-starts with a definition of income. Melvin I. White, Brooklyn College economist, who was asked by the committee to apply theory to the law as it now exists, found the law sorely wanting. In two



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background papers, he found the revenue act at odds with the accepted theory of income, both in regard to the kind of income that is excused from taxation and to the kind of deductions from income that are allowed.

White's starting point is a definition of economic income provided by Henry Simons in his book, Personal Income Taxation, an accepted modern-day classic in the field. Simons defines income as the total accretion to an individual over a period of time, preferably a lifetime, and regardless of source.

The source might be-and usually isa money income obtained for services performed. But it can also be income in kind, such as food raised and consumed by farm families. Or it can be generated by drawing down on a stock of goods, as when an individual consumes capital.

#### II. What's to Be Taxed?

If you define income in these terms, the revenue act is a sieve that lets more than half of economic income get away from the tax collector.

Joseph A. Pechman, fiscal economist now on the staff of the Committee for Economic Development, provided the committee with the broad outlines.

The closest approximation to Simons' concept of economic income is the personal income series of the Dept. of Commerce. For 1957, this was \$350.6-billion. But taxable income as reported to the Internal Revenue Service for the same year was \$149.4-billion -only 43% of the pie.

Mills and the committee are intrigued with the possibility of getting a larger slice for the Treasury Dept. and the experts they have invited to testify are, for the large part, urging them on. · Where the Rest Goes-The problem falls into two parts, and the committee devoted a full morning to each. First, large blocks of income, as it is defined by professional economists, are excluded from the tax base to start with. Second, additional large blocks are deducted from taxable income through the deductions allowed on Form 1040.

In looking at the exclusions, the committee did not linger long over some of the items that proved to be of most interest to the economists.

White, for example, argued that homeowners should be required to add an imputed rental value to income, thus increasing the taxable income base. Impressive sums are involved. In 1957, an imputed rental value of owner-occupied homes would have come to \$4.8-billion. If taxed, it would have vielded \$1.1billion in revenue, based on Pechman's estimates.

· Depreciating Wives-"Where did this idea come from?" Rep. Howard H. Baker (R-Tenn.) demanded. From



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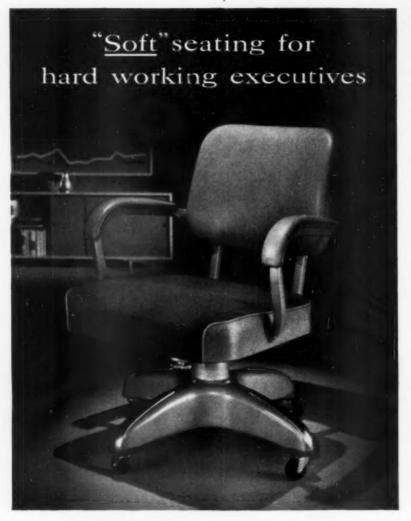
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economic theory, the panelists ex-

'If you added rental value, wouldn't we have to allow homeowners to take depreciation on their houses?" Baker asked. Panelists agreed.

"It could even lead you into the question of depreciation of housewives for tax purposes," Lester M. Ponder, Indianapolis attorney, added.

Ponder argued that the administrative difficulties of imputing a rental value on owner-occupied homes makes the idea impractical. Mills admitted the difficulties seemed so great that the committee would not be interested in following up the idea.

• Escaped Money-But he listed three exclusions now in the law that the committee would think about further:

Transfer payments, chiefly social security benefits, unemployment compensation, workmen's compensation, railroad and military retirement, veterans' pensions, and the like. This is the largest single area of exclusions. In 1957, almost \$10-billion of such payments was placed outside the revenue system. When these payments were first excluded during the 1930s, there was no practical effect on tax yieldsthe income of recipients was below the taxable minimum anyway. Now, however, a considerable amount of such income goes to persons who would normally be in taxable brackets. Pechman estimates about \$2-billion in revenue is being lost through this exclusion.

Income earned overseas. Ponder led in criticizing the provision in the present law that allows movie stars and others to keep substantial earnings out-

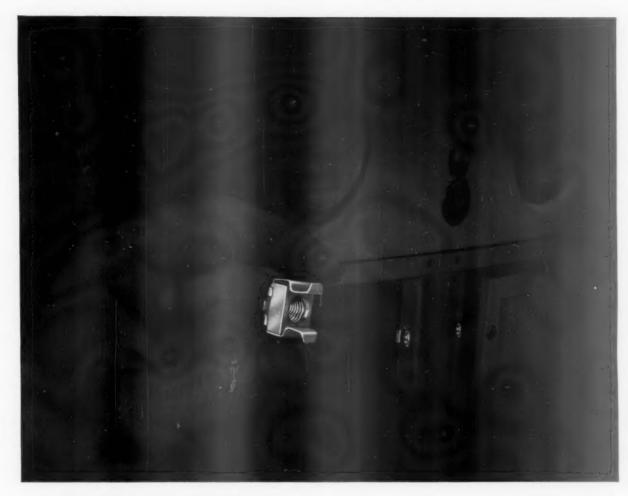
side the U.S. tax net.

Sick pay. Under a provision adopted in 1954, an employee who stays home on sick pay may enjoy at least a \$20 a week tax advantage over fellow workers who stay on the job. Roy Wentz, of the legal department of E. I. du Pont de Nemours & Co., told the committee that excludable sick pay is fast becoming a major drain on revenue and throws an impossible administrative task on the Internal Revenue Service.

#### III. What About Deductions?

It's the Form 1040 taxpavers whoat the invitation of Congress-whack the biggest sums out of the tax base. Ray Trammell, professor of law at the University of Arkansas, estimated that in 1957 almost \$24-billion went untaxed by virtue of deductions for nonbusiness taxes, interest, contributions, medical expenses, casualty losses, child care, and such miscellaneous items as union dues and subscriptions to professional journals.

Of these the most important are taxes, interest, and contributions. They probably accounted for \$20-billion of



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the total, and they came in for some of the heaviest criticism.

• Taxes on Taxes—From the time of the first income tax law during the Civil War, Congress has made it plain that it does not intend to "put a tax on a tax." But deductions for non-business taxes paid to state and local governments totaled \$5.5-billion in 1956, C. Harry Kahn of the National Bureau of Economic Research told the committee. He estimates the tax loss at \$1.6-billion and concludes that it is one of the most difficult of all deductions to justify.

Harvey E. Brazer, associate professor of economics at the University of Michigan, predicted that deductions for state and local taxes would rise to \$7-billion in 1960. If Congress canceled this deduction, enough additional revenue would come in to allow a 5% slash in rates across the board, he added.

Bruce L. Balch, a Rock Island (Ill.) tax attorney, also recommended ending the tax deduction.

• Heavy Blow—If deductions were disallowed for all state and local taxes, Form 1040 users would be struck a hard blow.

On an average, the \$7,000-a-year man now knocks about \$315 out of his taxable income because of other taxes paid; the \$10,000 man deducts about \$450, and the \$15,000 man about \$575. The deduction averages more than \$1,000 in the \$25,000 bracket and more than \$2,800 in the \$100,000 bracket.

• Interest Allowances—Deductions for interest total about \$5-billion and are rising rapidly as mortgage and consumer debt mounts. They have more than doubled since 1952, for example. Tax loss is estimated at around \$1.2-billion.

In response to a question by Mills, a panel of nine witnesses unanimously agreed that interest deductions should be disallowed.

On most middle- and upper-bracket returns, deductions for interest are almost as large as for taxes. The \$7,000 man averages better than \$360 for interest deductions; at the \$15,000 level, \$550 is taken out for interest. By the time income reaches \$25,000, the interest deduction amounts to \$760, on an average. The \$100,000 man-far from being out of debt—reports an average of about \$2,000 in interest costs.

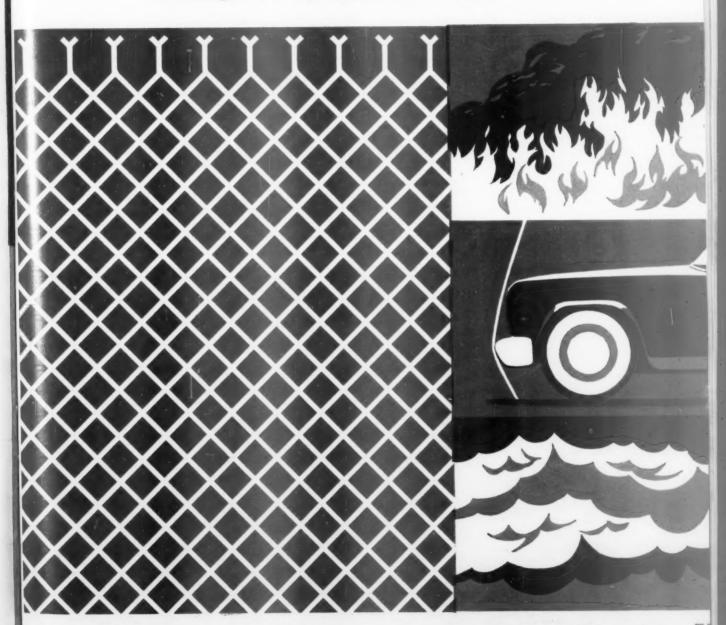
• Charity—Contributions made to colleges were warmly defended as a deductible item by Frank H. Sparks of the Council for Financial Aid to Education. But other panelists told the committee that, if contributions to philanthropies are to be deductible at all, they should be more closely policed by the Internal Revenue Service.

Deductions for contributions range from about \$240 in the \$7,000 bracket to more than \$430 at \$15,000; \$780 at \$25,000, \$3,000 or so at \$100,000. END

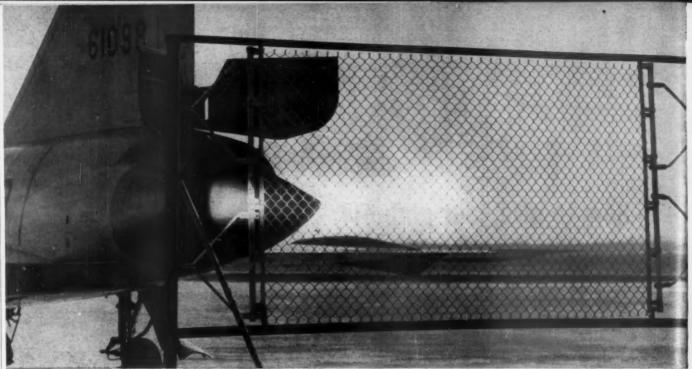
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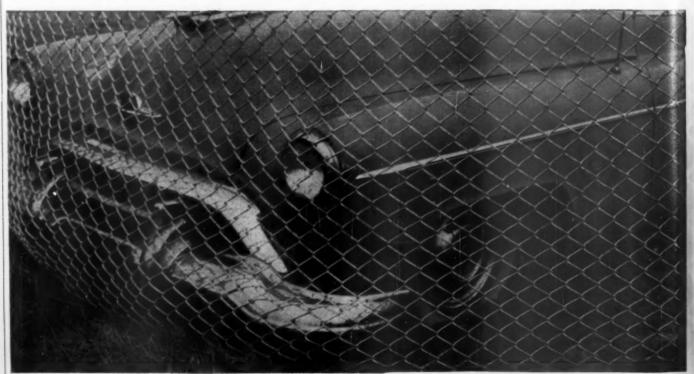


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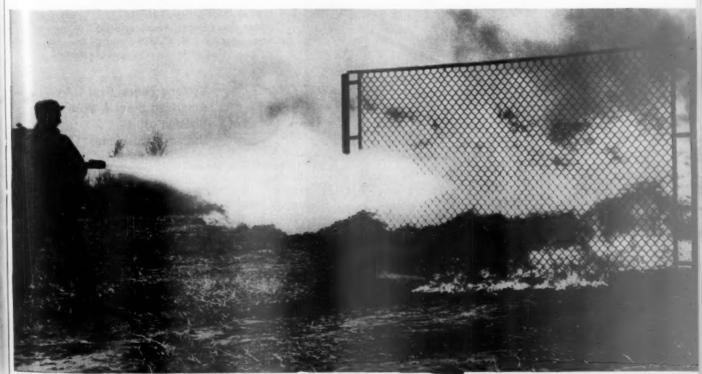
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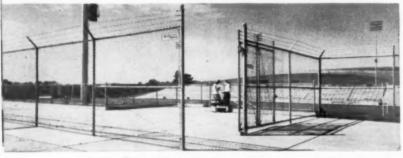


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### In Research

## IT&T Announces Another Device To Make Electricity Directly From Heat

Another device for producing high-voltage electricity directly from heat was announced last week by International Telephone & Telegraph Corp., at the 14th annual meeting of the American Rocket Society.

Early models of IT&T's ferroelectric converter can supply both AC and DC at voltages of 1,000; that's a big gain over the solar battery which can supply only direct current, and at low voltages. And IT&T says that outputs of up to 1-million volts are theoretically possible if a number of its ferroelectric converters are arranged in series. Another advantage over the solar battery is that the ferroelectric converter doesn't need light as a heat source; thus with nuclear heat, it can work in the dark.

Only very recently have materials become available to make possible an efficient working model of the ferroelectric converter, though the principle has been known for some years. It works this way: When ceramic ferroelectric materials are sandwiched between charged plates and heated, they transfer their electric energy to the plates, thus stepping up voltage.

In a typical application for use in a satellite, a pair of these sandwiches would be connected. Alternate heating and cooling would cause a current to flow back and forth from one sandwich to the other. The more numerous the sandwiches, the greater the voltage possible.

The trick all along has been to find a relatively cheap ferroelectric material that would work in varying environments. A number of leading labs have been engaged in the search; IT&T is the first to announce success in producing voltages as high as 1,000.

## U. S. to Press Oceanographic Studies;Two New Ships Planned, Perhaps a Third

U. S. oceanographic research is being stepped up. Last week, the Navy announced it would let a contract in a few months for a \$3.7-million research ship. This week, the National Science Foundation followed up with a \$3-million grant to the Woods Hole Oceanographic Institution for another new ship. And there are reports that NSF will include still another ship in its 1961 budget.

It's generally felt that the U.S. is lagging in the oceanographic field not only from the purely scientific point of view but also in knowledge essential to the military, especially for submarine warfare. Right now we have only three outmoded research ships in the over-1,000-ton class, while the Russians have several large and modern vessels.

The new ship planned by the Navy will be used almost entirely for research helpful to anti-submarine warfare,

#### MORE NEWS ABOUT RESEARCH ON:

• P. 58-Redstone's rocketmen prepare to go civilian.

concentrating on the study of sound transmission in the ocean and the program for an underwater surveillance system.

### Scientists Told of Theoretical Gains Toward Harnessing of H-Bomb Power

U.S. scientists seeking to harness the H-bomb's energy gave progress reports last week at a two-day Symposium on Nuclear Fusion at Austin, Tex.

The most encouraging word came from Dr. Marshall N. Rosenbluth, a theoretical physicist working under a \$10-million program of the Texas Atomic Energy Research Foundation and the General Atomic Div., of General Dynamics Corp.

Rosenbluth said that recent theoretical findings refute the Russian statements that fusion reactors capable of producing power would of necessity have to be many hundreds of feet in diameter. The Russian calculations were first revealed last year in a paper delivered at the Second International Conference on the Peaceful Uses of Atomic Energy, in Geneva. Since then, the Russian belief has been widely noted in scientific circles, since, if correct, it would mean that fusion might never be harnessed—economically—for producing power.

According to Rosenbluth, the Russian calculations are probably correct as far as they go. But he says they assume that cyclotron radiation is emitted in all directions from the extremely hot plasma. Preventing the escape of this energy had been a top difficulty.

Actually, Rosenbluth says, cyclotron radiation is emitted only in planes perpendicular to the reactor's magnetic field of containment, and so represents a much smaller loss of energy than the Russians predicted.

In the same area, General Acomic scientists brought a further note of optimism when they reported a new way to use reflectors to reduce radiated energy.

Among other major theoretical advances announced at the meeting were:

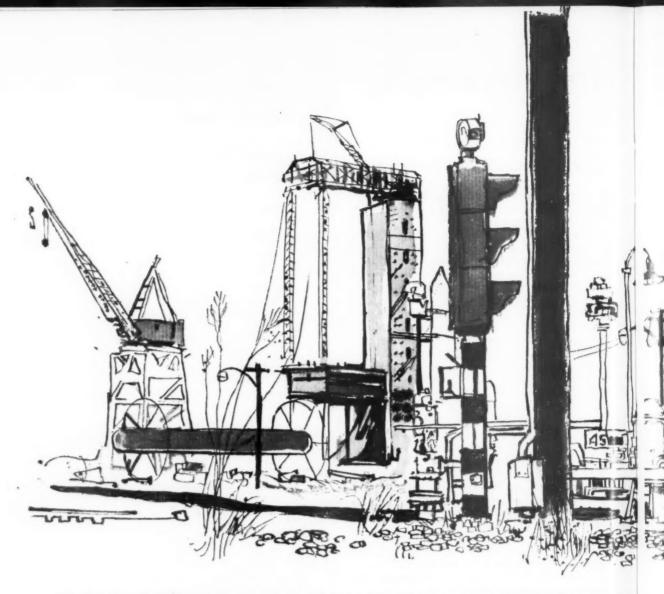
 A new method of mathematical description of high-temperature plasma and the interaction of its particles,

• Work on the theory of the stability of plasmas.

#### Research Briefs

A heat treatment of the soil, aimed at killing organisms that cause plant diseases but sparing the harmless organisms, is being studied at the University of California. The method uses steam at 140F.

X-rays from the sun, with energies up to 80,000 volts, have been discovered in solar flares by Navy scientists. This suggests that the solar atmosphere may have temperatures as high as 100-million C.



Dropped into the hilly red clay country of Alabama are engine test stands, fuel tanks, railroad tracks,

## Redstone's Geniuses Prepare to

One of the richest prizes in all the feuding over the U.S. space and missile program has long been the Development Operations Division of the Army Ballistic Missile Agency at Huntsville, Ala. Stationed since 1950 at the Redstone Arsenal, the Division has never been noted for possessing a gaudy array of missile development equipment. For the brilliance of its staff, however, it has gained worldwide recognition.

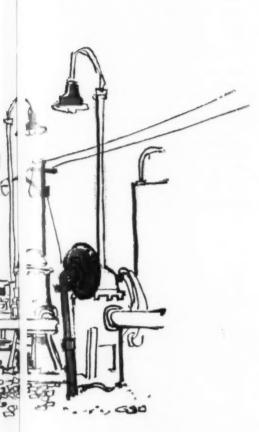
Redstone is home to Dr. Wernher von Braun and the team that came with him from Germany after World War II—the world's most famous rocketeers. With talent such as this, Redstone was responsible for shooting the first U.S. satellite into space in January, 1958.

Redstone can also claim credit for developing the Redstone, Jupiter, and Pershing missiles; before long, the Saturn rocket engine should be listed among its exploits, too.

• Away From Army—Now a change is to come into Redstone's life. The Army's role in the space program has been increasingly controversial, and last October Pres. Eisenhower announced plans to transfer the Development Operations Div. to civilian hands—the National Aeronautics & Space Administration. All that remains to make the switch official is an O.K. from Congress when it reconvenes in January.

The change doesn't mean that everything at Redstone will be under civilian control. NASA will be awarded only one of the four divisions of the Army Ballistic Missile Agency—the Development Operations Div., which is the formal name for the group of 4,200 scientists, engineers, and technicians under von Braun and his deputy, Dr. Eberhard Rees. The Army will retain a hold on ABMA's three other Redstone divisions—a missile operations training division, a field support division, and an industrial division.

When the Development Div.'s cluster of giant cranes and test towers, lab buildings, fuel tanks, and other facilities is shifted from the Army to NASA, the new proprietor will encounter a number of problems, though. There may also be transition troubles among the von Braun team. One worry is



Dr. Wernher von Braun

cattle ... and von Braun's rocket team.

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### Go Civilian

how much money Congress will allot for space activities. If the transfer to NASA means a cut in funds, there is sure to be an immediate reaction from both von Braun and his key subordinates. Another difficult problem is how the Development Div. can be fitted organizationally into NASA.

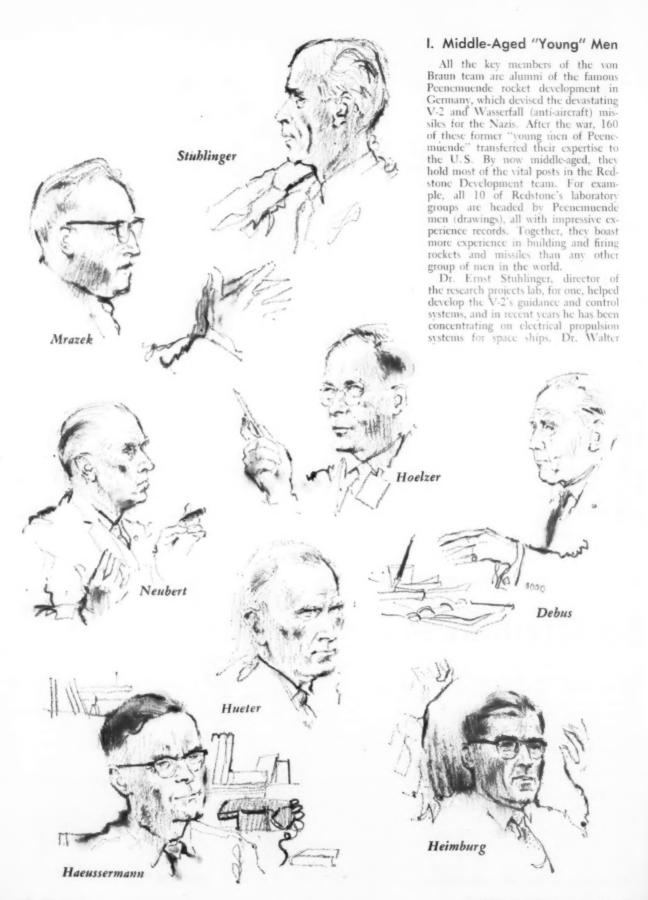
the Development Div. can be fitted organizationally into NASA.

Perhaps the most basic question, at least from the viewpoint of business, is whether von Braun's team under NASA will be allowed to continue to call on an outside contractor only for actual production of a fully developed item. The approach differs radically from the way in which other NASA facilities work.

(Story continued on page 60)



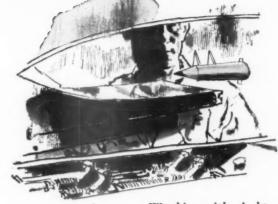
Eberhard F. M. Rees



Haeussermann, who heads the guidance and control lab, has been working on guidance and control since early days in Germany, applying them to projects from V-2 to Saturn.

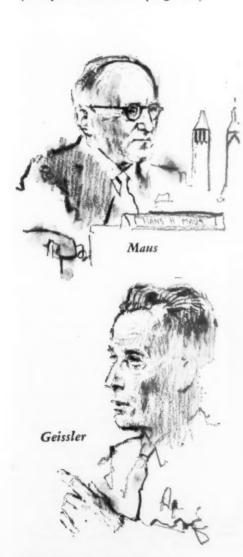
The boss of Redstone's test lab, Karl L. Heimburg, cut his professional teeth on the Nazi A-7 glider rocket missile. Ever since V-2, he has been specializing in power plants and missile testing. Hans Herbert Hueter, director of systems support equipment, was chief test engineer at Peenemuende, and he also handled ground equipment. He still does. Helmut Hoelzer of the computation lab pioneered the use of an analog computer in a missile, for the Germans during the war.

• More Firsts—Another of the Peenemuende alumni, Kurt H. Debus, top man in the missile firing lab, estimates he has fired more research rockets (600-plus) than any other man. He's the man on the spot in tests at Cape Canav-



Working with wind tunnels ...

#### (Story continued on page 62)





... rocket sleds, and ...



... static test firings.



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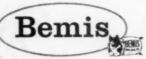


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eral. In the systems analysis and reliability lab, Erich W. Neubert is responsible for as many as 150 different kinds of tests to make sure an R&D model of a missile is perfect.

In addition, there are Hans H. Maus, of the fabrication and assembly engineering lab; William A. Mrazek, director of structure and mechanics, who's in charge of all the engineering and mechanical details; and Ernst D. Geissler, of the aero-ballistics lab, who concerns himself chiefly with rocket stability.

• Close-Knit Group—Although the Army is somewhat resentful that the President wants to rob it of von Braun and all the prestige his name lends, the "young men of Peenemuende" themselves are quietly enthusiastic about the impending change. It's not that they object to the Army. But under Army supervision, they have been concentrating on military rockets. Under NASA, they hope to focus on the conquest of space as a scientific end in itself—the goal with which all of them began their careers.

Von Braun and some of the others were members of the German Space Travel Society, a group devoted to exploring the possibilities of this newest frontier, as early as 1930.

The men are extraordinarily close, partly because of their long years together, partly because of their mutual dedication to rocketry, partly because of their being transported in a group to alien shores—first to Fort Bliss, Tex., and then to Alabama. All are now U.S. citizens; they tend to live in a typically American residential area overlooking the Tennessee River and to participate in such civic activities as the PTA and administration of the Huntsville orchestra.

But all except von Braun and a few others still talk with thick German accents, and they idolize their top boss. The office of almost every lab chief contains an inscribed picture of von Braun, and underlings insist that von Braun—and von Braun alone—is the great guiding force behind all their triumphs.

Forty of the original group have since drifted into private industry, but the 120 remaining have developed, if anything, an even closer bond. One aspect of this closeness is an astonishing versatility. A fabrication man, for example, may also be good at ballistics; a designer of combustion chambers is at



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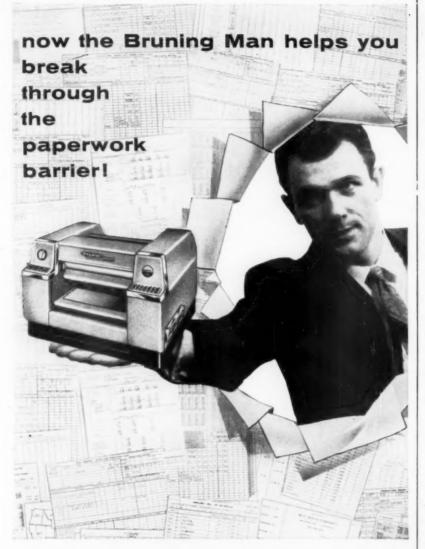
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home with servo-control mechanisms, too. Von Braun himself is still a topflight mechanical engineer.

#### II. Rocketeers With Rapport

In Redstone's present scheme of operations, the 10 lab chiefs hold direct line responsibility from the group at the top—consisting only of von Braun, Rees, several project managers, and a small staff. Their current assignments include final work on Jupiter and Juno II and early development of the Pershing field missile for the Army, the Saturn booster rocket, the multi-stage Explorer rocket for space research, and the Nike Zeus anti-missile missile.

In the past, the rapport among the von Braun team has helped immeasurably in development projects. It has proved easier to work out entirely new concepts at Redstone than in other, less personally integrated research organizations. For instance, in developing Jupiter, first of the intermediate range (1,500-mile) ballistic missiles, there were many technical troubles-such as devising insulation to protect the rocket's fuel tanks from the heat of the combustion chamber without adding significantly to the weight of the whole package. Redstone's scientists, each with a different viewpoint to contribute, managed to thresh out such difficulties at a low level by trial and error without pestering the high command. The problems seldom reached von Braun or Rees in any formal way-except in reports written mostly for the record, usually after the solution had been found. Successful down-the-line cooperation of this sort is common in many corporations, true, but rarely to the extent that it's standard procedure among von Braun and his fellows.

• Finding the Flaw-Further along in the development of a missile, Redstone's teamwork has helped in the process of backtracking-trying to find out what went wrong in an unsuccessful test firing. An actual firing often shows up flaws that weren't apparent earlier in the complicated missile system, despite the closest possible checking all along the way.

In early development of the Jupiter C rocket, for example, there were two spectacular fizzles in a row in the early moments of flight from Cape Canaveral. Blockhouse observers could only report that both times the missile's pump rate had seemed to decline just before the engine failed. Yet in ground tests the

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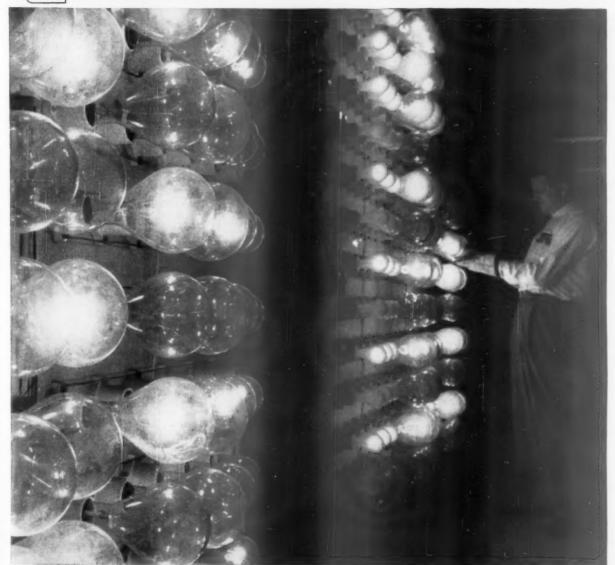
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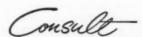
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COMMERCIAL CREDIT COMPANY subsidiaries advance over one billion dollars a year to manufacturers and wholesalers to supplement cash working capital. Combined volume of finance subsidiaries exceeds three billion dollars a year. TOTAL ASSETS OVER ONE AND ONE-HALF BILLION DOLLARS. turbopump system had apparently been working perfectly.

Hastily called into conference, von Braun's scientists speculated that heat from the combustion chamber was the most likely villain. So on the next Jupiter C's, they insulated the turbopump system to keep heat out. But this didn't prevent another firing flop. Further study made it clear that the trouble was addition of an extra accelerometer inside the missile's gear box. To accommodate it, other instruments had to be moved slightly-just enough to push the turbine and pumps apart when the vehicle took to the air. This caused a cutoff of the engines. As a remedy, gear boxes of subsequent Jupiter C's were pressurized.

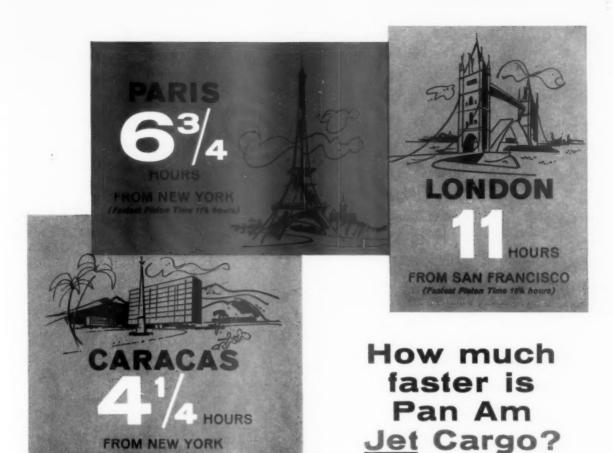
#### III. Under New Management

It remains to be seen whether this kind of teamwork among von Braun's men can continue under NASA.

From sheer size alone, the Redstone rocket and missile group can't help but have a forceful impact on NASA. With its 4,200 men, by itself it is almost half as big as all other NASA facilities combined (box, below). Even so, integration into NASA could change the Redstone spirit, especially if the new parent tries to merge von Braun & Co. too quickly into some of its other activities.

· Size Question-If NASA fattens the size of the staff of scientists and engineers under von Braun, there might be some effects on both productivity and morale. Of course, at Peenemuende the German team members were part of a force of 6,000 to 8,000 researchers (of whom 3,000 would have been willing to come to the U.S. at war's end; the Army winnowed out only the top few, mainly because of a transportation cost of \$3,000 per man). At Fort Bliss from 1945 to 1950, Americans were added to the group, and by the time it moved to Redstone, the roster totaled close to 350. Gradual increases brought it to

With Wernher von Braun and his rocket and missile men added to its force, the National Aeronautics & pace Administration will stack up like this: FACILITY PERSONNEL ...1,500 Field, Calif. ..... Lewis Research Center, Cleve-.3,000 land NASA Flight Center, Edwards, Calif. Goddard Research Center, Beltsville, Md. (to be completed next ..1,000 summer) Wallops Island Rocket Test Station (off Virginia coast)..... 500 Developmental Operations Div. of Army Ballistic Missile Agency, Huntsville, Ala. ......4,200 TOTAL PERSONNEL..14,500



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The Christmas decorations shown here are an ideal illustration of how Butyrate's properties can be mated to the demands of a specific use.

Outdoor durability certainly is an important consideration for these decorations. Exposed to weather extremes ranging from sub-zero Alaska to sunny Florida, they must be able to endure in any location, showing excellent resistance to cracking, crazing or "aging."

They must also be tough enough to take the abuse of repeated installation and dismantling, plus the hazards of storing and transporting.

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availability in  $\alpha$  crystal-like, clear-transparent formulation, resistance to yellowing by sunlight, and  $\alpha$  high surface luster.

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For diving ... and just about everything imaginable

... this may well be the best of all possible times to switch the Redstone rocket force from the Army to the civilian space agency . . .

(STORY on page 58)

1,400 by 1955, when the Army Ballistic Missile Agency came into being. The present peak of 4,200 was reached only last year.

Von Braun thinks this size is probably just about ideal for the team's current projects. But it has to assimilate more development jobs under NASA's banner, more men would have to be added, of course, and too rapid expansion might conceivably reduce productivity and perhaps even impair reliability of rockets in the works. On the other hand, a sudden cutback in personnel would probably hurt morale seriously.

• Propitious Time—Still and all, this may well be the best of all possible times to switch the Redstone rocket force from the Army to the civilian space agency. Rockets can now do almost anything the military people need for offensive purposes. The armed forces will still have some rocket R&D chores to do in the next few years, but the No. 1 reason for building giant rockets and rocket engines will be to tote men and machines into space.

"Up to now," says von Braun, "the group's bread-and-butter jobs have been military." His men have sneaked in work on a few nonmilitary projects, such as the Jupiter C and the Explorers, by various bootlegging techniques. "Now," von Braun adds, "we have the chance to go honestly after the main objective. The team has been waiting for this moment for many

vears."

• Long-Run Values—Of course, Army's loss of these rocketeers will be a hardship to its own rocket and missile program, at least for the time being. But eventually the military should benefit from the invigoration of NASA. There would be advantages to the Army in such proposals as the coordination of work on Redstone's Saturn and NASA's Nova, another 1.5-million-lb. thrust rocket engine, this one with a single chamber, under development at North American Aviation's Rocketdyne Div. (BW—Nov.14'59,p116).

The first stage of Saturn, which gives it the mighty thrust, involves few new ideas in rocketry. It consists of eight Jupiter thrust chambers ringed around a Redstone rocket chamber. By the time it flies, the lash-up model will have been tested thoroughly enough to give the vehicle a 50-50 chance of complete success—far and away the best odds for the maiden trip of any new U.S. space

rocket system so far.

The upper stage of Saturn, by con-

trast still on the drawing boards, will be much more revolutionary. Its development is expected to contribute much to the next generation of military rocket engines. If, as has been proposed at high levels inside NASA, this project is combined with work on the final stage of Nova, development of big rocket engine boosters might be speeded.

gine boosters might be speeded.

• Trading Parts—The boldest suggestion is to make the final stages of Saturn and Nova interchangeable. The design could be tested on Saturn and then be ready to use on Nova when its first stage becomes available. Meantime, the researchers on Nova, freed from worries about the final stage, could spend more time testing ideas for the first stage. Otherwise, they might have to freeze Nova's first-stage specifications now.

The military would welcome any step that expedited the big boosters. As soon as possible, it wants a reliable rocket system to put heavy communications and weather stations into orbit around the earth. But development of such engines costs so much that it would be happy to take advantage of research financed by NASA, the civilian agency, or by industry.

In the transition period, it could be tricky to persuade groups with vested interests in Air Force and Navy rocket projects to cooperate with NASA. The administrative problem might continue well into 1961—to be solved by whoever heads NASA after the inauguration of a new President.

• Industry Relations—A related worry is the effect of the transfer to NASA on Redstone's relations with industry. Through the years, von Braun's team has been strikingly self-sufficient, in accord with the Army arsenal system on which it has been working. It has utilized industry only for specific jobs when needed as a sort of expansion cushion—for example, in crash programs. The team has actually developed, fabricated, assembled, and tested the first three or four rockets of every type it has fathered; only when these jobs have been done has a production contract been turned loose in industry.

By contrast, other rocket development groups, including most of NASA's other labs, act chiefly as administrators. Most of the actual development work is left to their numerous contractors. It's possible—according to some observers, highly possible—that von Braun with his successful record can sell the Redstone approach to NASA. Or the Redstone approach may be gradually accepted



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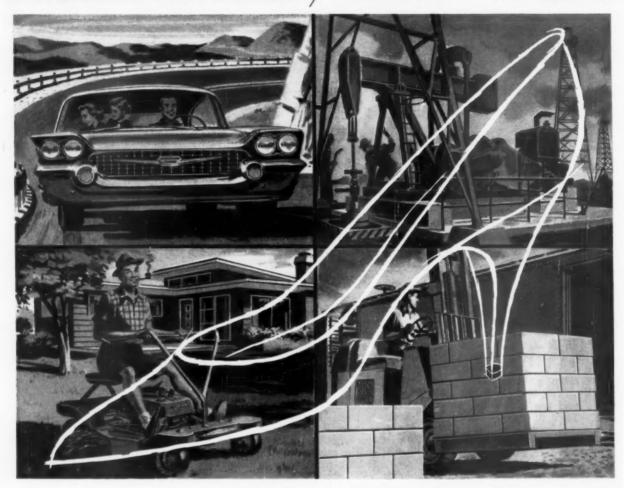
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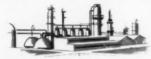






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anyway as NASA absorbs the von Braun group.

On the other hand, if NASA expands the team's responsibilities to any extent, it may no longer be able to maintain its jack-of-all-trades intimacy with every step in a project's development. There's a limit to the number of projects any one group of men can run in this manner.

· Geography-So far, there has been little talk of NASA's moving the von Braun team from Redstone to some other location. But such a move wouldn't upset the men's morale and effectiveness as much as might be expected. To be sure, says von Braun, at Redstone the group has received good support from the Army, in providing everything from transportation of men and materials to Cape Canaveral on short notice to the construction of intricate test firing stands. And the computation lab at Redstone has more than \$2-million worth of equipmentone of the largest such collections in the U.S. The facilities also include a new engine firing stand built especially for testing of Saturn's first stage in late December.

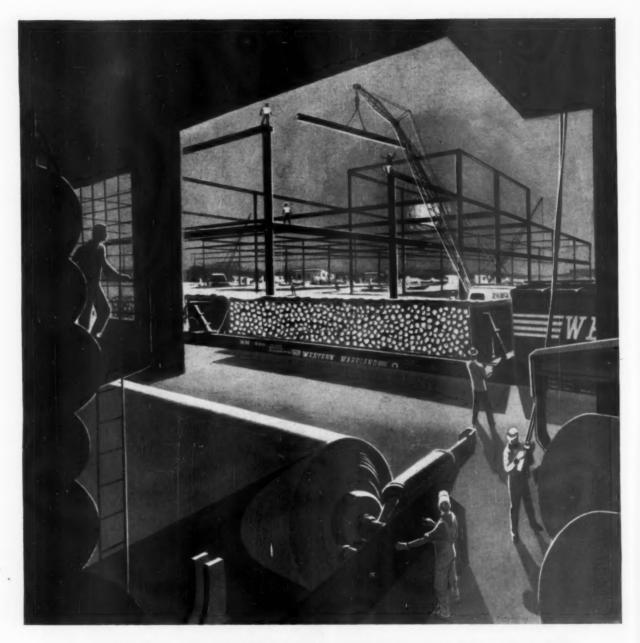
NASA doesn't have a layout elsewhere that would offer the von Braun rocketeers comparable help. But the qualities that distinguish them from other rocket scientists and engineers don't depend on fancy facilities. In the early days at Redstone, the group improvised its first test firing stand from sections of old railroad tracks.

Much more crucial to the team's continued success in developing successful rocket systems is protection from bureaucratic troubles—the frustrations that come from skimpy budgets and the bickering among military services.

The group insists that space flight is possible without any more scientific breakthroughs. It is fighting two foes in the drive for space—time and outside pressures. A strong NASA, with the von Braun team at its core, could well put the U.S. back in the space race. END



Von Braun's team devised the first nose cone to be successfully recovered.



## Paper giant doubles its punch in Maryland!

One or the most vigorous companies in the nation's fast growing paper industry is Westvaco – the West Virginia Pulp and Paper Company.

This \$200-million organization has doubled its annual sales since 1950. Each year Westvaco plants produce nearly one million tons of paper, board and other products of pulp.

But that's still not enough. To meet the ever booming demand for its white paper products, Westvaco is now doubling its enormous plant in Western Maryland.

Why Western Maryland? For several sound reasons: Labor conditions are favorable. Wood is plentiful. Water is of good quality. Coal is near and power is economical. But important, too, is quick and easy access to the markets, and the efficient transportation Westvaco enjoys because it is located on the Western Maryland Railway.

If you're exploring plant locations, phone or write us. We can tell you quickly how well Western Maryland country can meet your needs.



## In Marketing

## Canada Eases Homegrown Quotas On TV Programing; Hits Rigging

Canada's Board of Broadcast Governors has announced final regulations covering telecasting. The rules, which go into effect next July 1, add up to a relaxation of requirements for homegrown programing and a tightening up of

rigged shows.

Operators of the new second stations, which will be permitted to broadcast in former single station markets after July 1, will be able to build listenership by using foreign-produced programs without limit until Apr. 1, 1961. From that date up to Apr. 1, 1962, all stations must present a minimum of 45% "Canadian content." After that, the Canadian percentage goes up to 55%.

Taking a potshot at TV troubles in the U.S., the BBG said it will not tolerate any type of quiz or contest where

the answers or decision is known in advance.

## Radio-TV-Theater Chain Acquires Farm Papers Along With Radio Station

The rapidly expanding American Broadcasting-Paramount Theatres empire is reaching into the publishing field with the acquisition of the Prairie Farmer Publishing Co. Already in the business are operations as diverse as the ABC TV and radio networks, 500 theaters, and part-ownership in electronic manufacturing and amuse-

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AB-PT candidly states its objective in the latest acquisition—"What we are really interested in is Prairie's half-ownership of Chicago radio station WLS." AB-PT already owns the other half of this station. But it will not liquidate the three Prairie Farmer publications—Wallace's Farmer, Prairie Farmer, and Wisconsin Agriculturist—whose combined circulation exceeds 900,000. It will continue them as a publications division under present management.

## Schrafft's Forms New Division To Promote Franchise Operations

Frank G. Shattuck Co., owner of the Schrafft's chain of restaurants, this week announced formation of a Franchise Div. for operation of restaurants on a national

scale, chiefly tied into new motel operations.

Spokesmen for Schrafft's say the franchise business, in which local operators will own the business, has one of the greatest potentials within the Shattuck organization. Schrafft's already has signed two agreements—in Lancaster, Pa., and Durham, N. C.—for motel operations. Several others are being negotiated.

As in the case of its "quality isles" program with super-

MORE NEWS ABOUT MARKETING ON:

- P. 78—They Laughed When I Sat Down, a new book, illustrates advertising's history.
- P. 82—Toledo ends its test mall, with a big question mark for the future.
- P. 86—Westinghouse keys tomorrow's marketing of major equipment to today's Total Electric Home.

markets (BW-Jun.20'59,p55) where Schrafft's line of 200 fresh and frozen food items are sold, Schrafft's own manager will run the restaurant connected with the local motels. Products of Schrafft's will be sold exclusively. Perishable items will be made on the premises from recipes supplied by Schrafft's.

## Justice Dept. Files Antitrust Suit Against Largest Prefab Home Builder

National Homes Corp., the largest manufacturer of prefabricated houses (sales over \$45-million last year), has been slapped with a government monopoly suit. Justice Dept. filed suit last week in Lafayette, Ind., charging that acquisitions by National threaten to give it a monopoly.

The suit asks for a court order requiring National Homes to divest itself of seven smaller competitors acquired in the past year. According to the charges, these acquisitions boosted National's share of the prefab

market from 25% in 1958 to about 38%.

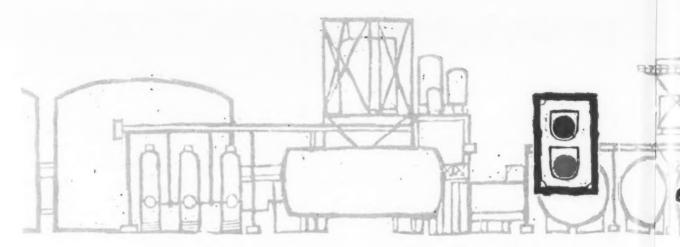
National Homes chairman and chief executive officer, James R. Price, commented that the government's complaint "appears to be based on the mistaken idea that National Homes and its subsidiaries compete only with other manufacturers of prefabricated homes. The fact is that we compete with all house builders, and our share of the total housing starts in the U.S., even after mergers, is not large enough to have any substantial effect upon this competition."

## Brown Shoe Fights for Its Subsidiary

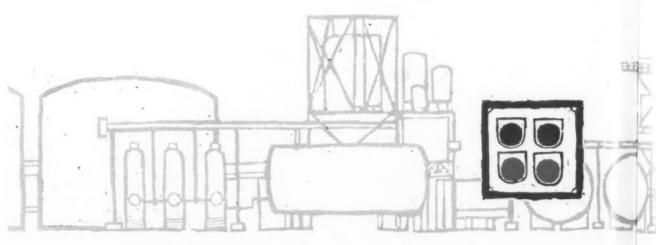
Brown Shoe Co., big St. Louis shoe manufacturer, this week was planning to go to the U.S. Supreme Court to hold onto its prize subsidiary, G.R. Kinney Corp., of New York. This became clear as attorneys studied last Friday's ruling by Federal District Judge Randolph H. Weber, which held that the 1956 merger of the two

firms violated the Clayton Act.

In 1955, Brown's sales ran close to \$160-million; Kinney—which then operated some 360 shoe stores as well as produced shoes through subsidiaries—had sales of nearly \$52-million. Industry sources reckon that Kinney (with some 488 stores now) had sales of nearly \$65-million in the first 10 months of 1959, and Brown's total sales for fiscal year ended Oct. 31, 1959, were \$275-million.

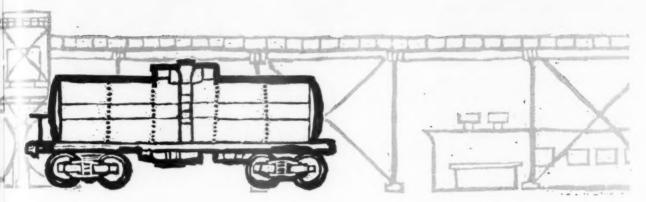


In 1956, with this plant, Olin Mathieson

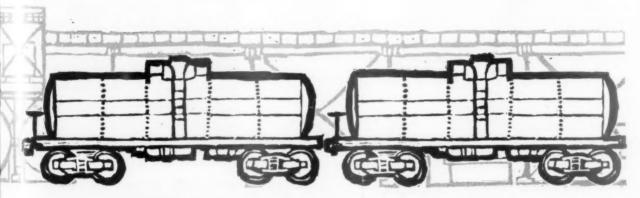


Now, by doubling use of electric power, they

# POWER-UP FOR PROFIT



produced this much caustic soda and chlorine



produce twice as much with reduced overhead costs

# **ELECTRICALLY**

... POWER-UP is a Westinghouse program to help you increase profits through greater productivity. In your plant, it may be a materials handling system, higher capacity machinery, or a more productive environment through higher lighting levels and air conditioning. One thing is certain—whether or not you earn satisfactory profits in the '60s will depend on your making maximum use of low-cost kilowatthours.

A production increase of 40% is forecast for 1965. Be sure—like Olin Mathieson—that your electrical equipment is engineered to produce profits as well as output. Call your Westinghouse representative. He can tell you the electrical steps you can take *now* to start a Power-Up program in your plant.

J. 86113

YOU CAN BE SURE ... IF IT'S Westinghouse

WATCH "WESTINGHOUSE LUCILLE BALL-DESI ARNAZ SHOWS" CBS TV FRIDAYS

The famous advertisement at the right provides the title for a new history of advertising, THEY LAUGHED WHEN I SAT DOWN. Nurtured on "patent medicines, soaps, and dry goods," advertising now is a \$1.5-billion business—and still as controversial as ever.



A Simple Home Treatment Which Never Fails to Restore Full Strength and Vigor of Youth.



INSURES LOVE AND A HAPPY HOME.

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They Laughed When I Sat Down
At the Piano
But When I Started to Play!

ARTHUR had just played "The Rosary."
The room rang with applause. I decided that this would be a dramatic

Liebestraume died away, the room resounded with a sudden roar of applause. I found myself surrounded by excited faces. Demonstration Lesson. I was amazed to see how easy it was to play this new way. Then I sent for the course.

"When the course arrived I found was.



CARTER'S

ITTLE

IVER

PILLS.

AND THE PRICE IS

ONLY TWENTY-FIVE CENTS.

We do not think physicians prescribe CARTER'S LITTLE

We do not think physicians prescribe CARTER'S LITTLE

We said so words up this subject, and state only ficts. We do not think physicians prescribe CARTER'S LITTLE LIVER PH-LS, or know or care anything about them, but those who buy and use them soon learn that what we say is true. All Druggists self them. Sent by mail CARTER MEDICINE CO., 22 Park Place, New York.

PATENT MEDICINES, on which modern advertising cut its teeth, were "a rich and voluptuous Jezebel that taught advertising to put away its childish things." Carter kept its "Little Liver Pills' intact until the U.S. finally eliminated "liver" this year.



AUTO ADS were stodgy engineer manuals until this famous ad by Ned Jordan set a new pace which others adopted.



SLOGANS, such as Royal Baking Powder's "Absolutely Pure," built many a product.





SOAPS, including the famous Pears' campaign, were early creatures of advertising's growing power. Palmolive was literally the creation of admen Albert Lasker and Claude Hopkins, who set up the guideposts that modern advertising copywriters still follow.

## Highlights of Advertising's Growth







IDENTITY became a prime goal of advertisers. White Rock has kept its Psyche (from a German painting) virtually intact, except for modernizing the maiden.

Perhaps not since the public revulsion against the flamboyant claims of patent medicines that helped bring about the Pure Food & Drug Act in 1906 has the advertising business been under such stern scrutiny as it is today, both from within and without.

But for all the rigged quiz shows, phony commercials, and shady product plugging, advertising has come a long way from the days before 1900 which N. W. Ayer & Son's official history describes:

"It would never have occurred to the businessman of the day-even a sincerely religious one-to introduce into his business activities a social point of view. Nor did it occur to an agent that he was in any way concerned with the merit of things advertised .

Frank Rowsome Jr., managing editor of Popular Science, quotes this passage in his newly published book, They Laughed When I Sat Down (McGraw-Hill, 181 p., \$7.50), to establish the thesis that, for all its faults, advertising has matured into a respectable profes-



(Advertisement)

## The man from Cunningham & Walsh



How does an advertiser keep abreast of the vast, complex and rapidly changing agricultural market? Like writer Earl Edgar (right, at feed mixer), the men from Cunningham & Walsh are frequently on ranches and farms, actually working with retailers who supply the myriad needs of agriculture. More than 4000 hours were devoted last year to bringing this firsthand knowledge to the marketing and advertising programs of clients served by Cunningham & Walsh Inc. Offices in: New York, Chicago, Detroit, Houston, Los Angeles, San Francisco.

sion with tremendous social influence. His liberally illustrated informal history of some 75 years of advertising states that advertising men are at, possibly a little past, a peak of power and glory.

• Turning Points—Rowsome's book covers what he considers some of the major turning points in advertising's growth. Early practitioners, going back to the mid-1800s, did little more than make bare announcements of available products. But the whole business suddenly exploded, together with the gigantic magazine business, around 1900.

Several reasons account for this: population growth, an almost universal literacy, the spread of the RFD system, lower mail costs for magazines, andperhaps most important—the need to create demand for the rapidly growing

number of products.

One major turning point, says Rowsome, was the development of slogan usage, which made advertising a craft.

• Builders—George P. Rowell, founder of Printers' Ink, has perhaps the first claim to be called the father of modern agencies. He set up as an independent purveyor of newspaper space—taking, at first, a 75% cut of the advertising dollar; later changing that system into a more reasonable flat fee from the advertiser.

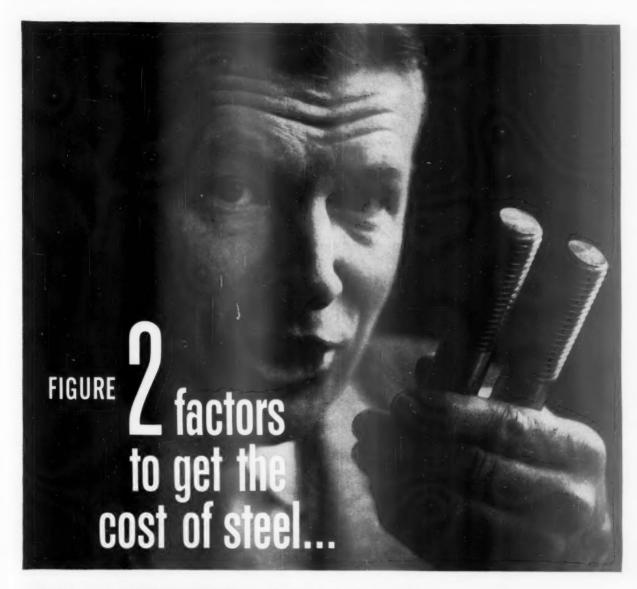
It was Cyrus H. K. Curtis, through the publishing house he founded—with help as time went on from the N. W. Ayer agency—who firmly established a concept of publishing that put the function of advertising into focus. Rowsome quotes Curtis as saying: "The editor of the Ladies Home Journal thinks we publish it for the benefit of American women. That is an illusion, but a very proper one for him to have. The real reason, the publisher's reason, is to give you who manufacture things that American women want a chance to tell them about your products."

• Fine Art—Over the years, this telling has become a fine art. John E. Powers was an early "literary man," as ad writers were called, whose influence for honest (John Wanamaker fired him for being a little too honest) and well-written copy was widespread. Later, such simple honesty gave way to the Claude Hopkins influence.

It was Hopkins, working with Albert Lasker at Lord & Thomas, who gave the modern copywriter his guideposts. He could turn such prosaic things

such as the Schlitz brewery's use of steam to clean its empties (everybody else did, too) into a catch phrase—"Washed With Live Steam." His contribution to the advertising craft, so obvious today, was simply the recognition that people weren't interested in your product, only in what it would do to please their selfish wants—and ad copy should be written only with that

in mind. END



## COST OF POSSESSION and delivered cost!

The high cost of possession may surprise you. It has surprised many a smart, informed steel user.

When your Steel Service Center performs first cutting operations you save operating and capital costs of the equipment it requires. You get steel delivered quickly from stock, ready for use. You save costs of storage and handling. You cut scrap loss and wastage.

There's a nearby Steel Service Center set up to serve you, not only with steel, but with technical know-how.

If you are buying more than three months' inventory because you think it's a bargain, compare all of your costs with the cost and freedom from risk of buying from your Steel Service Center. For more information, get the booklet, What's Your Real Cost of Possession for Steel? from your Steel Service Center. Or write to American Steel Warehouse Association, Inc., 540-B Terminal Tower, Cleveland 13, Ohio.



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The American Steel Warehouse

...YOUR STEEL SERVICE CENTER

COST OF POSSESSION FOR STEEL IN YOUR INVENTORY

Per ton delivered	
Cost of capital:	
Inventory	-
Space	
Equipment	
Cost of operation:	
Space	
Materials handling	
Cutting & burning	
Scrap & wastage	
Other costs:	
Obsolescence	
Insurance	
Taxes	
Accounting	
TOTAL	
COST OF FREEDOM-FROM	M-RISK STEI

FROM YOUR STEEL SERVICE CENTER

Per ton, cut-to-size, and delivered

TOTAL

## Toledo Weighs Mall Experiment

Toledo's downtown pedestrian malls, which sparked wide publicity and planning for similar projects in other cities (BW-Aug.15'59,p56), came to an unglamorous end last weekend after a 108-

day stand.

Four of Toledo's principal blocks—two each on Madison Avenue and Adams Street—opened Aug. 3 as land-scaped, vehicle-less areas, and served as a chief attraction for hundreds of visiting delegations since then. Installed at a cost of about \$20,000—including \$15,000 paid by the city and about \$5,000

by Downtown Toledo Associates—the project was the most extensive experiment in pedestrian malls yet in a city that size.

The malls originally were scheduled for a 45-day trial, which was extended another 45 days. Finally, an extra week was tacked on for the benefit of more than 1,500 delegates who poured into the city for the annual convention of the National Young Democrats.

 Last Rose—By this time of the year, the malls had lost much of their natural beauty. Sub-freezing temperatures last week wilted or killed much of the greenery. The fountains that gurgled all summer were silent. And the penguin pool had dried up.

City workmen moved into the malls at midnight last Friday. They started removing lighting fixtures and special illuminating. They were followed by crews picking up the colored concrete slabs and blocks, the trees and shrubs, the children's playground, the dirt and curbing, and finally by crews laying down the street markers and lane strips. By Monday, the malls were only a memory.

 Question of Permanency—The big question in Toledo now is whether the city will go to permanent malls, now that the experiment has been generally successful at least from a promotion and esthetic point of view. The issue is likely to be debated hotly in the coming months.

coming months.

As Ned Skeldon, president of the Lucas County Commissioners and the man who got the Toledo mall project going, says "I'm 100% for the permanent malls. I just hope we don't find ourselves in a position where cities all over the country are adopting the Toledo plan except Toledo."

Permanent malls will cost from \$40,000 to more than \$100,000 a block, depending upon how fancy they get. Lawrence Murray, director of the Toledo-Lucas County Plan Commission, estimates the top cost at \$108,000 a block for malls that would include canopies over the walkways adjacent to the store windows, heated sidewalks for snow and ice removal, and extensive landscaping and paving work.

• Merchants Hedge—So far, just about everybody connected with the experiment seems to favor going to malls, with the possible exception of the most important group in the community—the downtown merchants. These businessmen have shied away from the optimistic viewpoint, especially since the cost factor has been raised. Some city officials argue that the benefiting downtown firms should pay all or part of the cost.

DTA, which acts as spokesman for the business community on the matter, is studying the malls from all anglescosts, apportionment of cost, location to other downtown problems such as parking. DTA has not come up with a decision, but points out that "our downtown merchants have generally been a pretty progressive group, if that means anything."

• Three Surveys—When the malls opened, DTA announced that it would run three periodic surveys to determine what effect, if any, the malls had on



FRIDAY night, Toledo's malls in the heart of the downtown business section were an oasis of greenery and fountains, children's playground, penguin pool, and statues.



SATURDAY morning they were back to pavement level. During the night, workmen removed 600 cu. yd. of topsoil, 350 sq. yd. of sod grass, and over 200 trees and shrubs.



Rotary International Building, employs B&G Universal Pumps and Heat Exchangers in the heating and cooling system.



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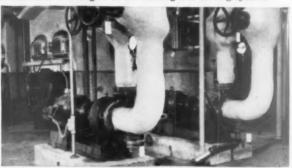
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B&G Universal Pumps circulate hot and cooled water.



Circulation to cooling tower is handled by B&G Universals.

## Where heating and cooling must be quiet





B&G "SU" Heat Exchanger

The trend to mechanically circulated water as both a heating and a cooling medium in modern buildings establishes a positive requirement which must be met by the circulating equipment. Quiet operation of the pumps is all-essential!

The year 'round comfort conditioning system of the Rotary International Headquarters, Evanston, Illinois, is served by B&G Universal Pumps which circulate both heating and cooling water without distracting noise! The same piping system is used to circulate heated water in winter, cooled water in summer. Water for the heating system is heated with steam in a B&G Type "SU" Heat Exchanger.

The B&G Universal Pump is specifically designed and built to meet this prime requirement of liquid heating and cooling systems. It is not an ordinary commercial centrifugal pumpnoise and vibration have been engineered out! You have to touch a B&G Universal to tell if it is running!

This pump is typical of the creative engineering which characterizes the diversified products of the Bell & Gossett Company...combinations of advanced design, highest quality materials and precision manufacture.



## GOSSETT COMPANY

Dept. FY-30-2, Morton Grove, Illinois Canadian Licensee: S. A. Armstrong Ltd., Toronto 16, Ontario Other plants at:

Chicago, Illinois Midland Park, N.J.

Longview, Texas Gladstone, Michigan

A DIVERSIFIED LINE OF HIGHEST QUALITY PRODUCTS



**Bodster Pumps** 



**Package Liquid Coolers** 



**Marlow Pumps** 



**Heat Exchangers** 



Centrifugal Pumps



Oil-less Air Compressors

# Look Ahead EXPANDS HOT STRIP CAPACITY



Here you see still more evidence of Youngstown's dynamic Look Ahead" expansion program . . . a section of the oundation of what will be america's most modern hot trip mill at our Youngstown, thio, plant.

When completed, this highpeed, 79-inch hot strip mill will turn out the large diameter roils of steel sheet (up to 40,000 pounds) that many production lines are geared to use to maximum advantage.

While rolling strip at speeds up to 2,250 feet (nearly a half-mile) per minute, the very latest in automatic electronic equipment will assure precision control of heat, gage and width to meet customers' specifications... and Youngstown's quality standards.

Watch for forthcoming reports on Youngstown's "Look Ahead" expansion program—a dynamic force in steel. The Youngstown Sheet and Tube Company, Youngstown 1, Ohio. Carbon, Alloy and Yoloy Steel.

Another phase of

the "long look

ahead" at

## Youngstown



... once you get past the merchant group, there is general community acceptance of the malls as a distinct downtown asset . . .

(STORY on page 82)

downtown shopping. The results of the first survey showed that in the initial enthusiasm—over 40,000 persons toured them one weekend—70% of the merchants on the malls reported sales increases; and 56% of those off the malls said sales were up.

The second survey never came off, primarily because of an unusually hot spell that knocked retail business off

noticeably.

The third survey was taken, but DTA so far refuses to give out the results. A spokesman says they are holding back until a thorough survey on downtown parking is completed—in another three weeks or so.

Individual merchants and businessmen are reluctant to attribute any differences in sales this year to the malls. Michael Yamin, president of LaSalle's—the only big department store on the malls—says he has noticed no sales increase that can be related to the fact that LaSalle's is on the malls.

Bernard Baker, president of B. R. Baker, largest men's store on the mall, also sees no change in sales volume because of the malls. He has no strong feeling either way as to whether they're

made permanent.

A survey taken two weeks ago of 24 stores on and off the malls showed that merchants were about equally divided as to the desirability of having permanent malls, whether the merchants were located on or off the malls.

• Community Acceptance—Once you get past the merchant group, there is general community acceptance of the malls as a distinct downtown asset. Commissioner Skeldon is backing them, and is plumping for a sister project to expand public parking in downtown Toledo. Toledo City Manager Russel Rink thinks that malls are the only practical solution to what ails downtown these days.

Rink favors the Kalamazoo method of paying for permanent malls—the city pays roughly one-half, and the downtown business community pays for the other half. Lawrence Murray cautioned a committee studying permanent malls, "If we do it, we want to make sure that we've really got something that is the finest in every detail—not just some made-over blocks like the two-block mall in Kalamazoo."

John N. Richards, president of the American Institute of Architects and head of Toledo's technical committee on malls, is sold on permanent malls, but believes that they must be worked into the downtown area along with the city's master plan for the central business district.

• Man on the Street—As for the average citizen, reactions are generally in favor of the malls—judging from comments and letters to the editor. During the experiment, Rogers National Research (a survey company) made some detailed studies. Preliminary figures on a sampling of 2,000 residences in six census tracts show that the malls had little, if any, effect on shopping habits, and probably no significant effect on downtown sales.

Of those samples, 23% said the malls should be discontinued; 48% thought they should be carried a little later into the winter months; 16% said they should be made permanent; and

12% had no opinion.

On the general effects of the malls, 19% agreed strongly they made shopping more pleasant; 45% agreed mildly; 17% disagreed; 8% disagreed less strongly; and 11% had no opinion at all.

On whether the malls are good for Toledo in general, 19% agreed strongly; 36% agreed mildly; 20% disagreed; 8% disagreed strongly; and

17% had no opinion.

On features in the malls, an exhibit of Toledo tomorrow got the highest rating (30%); next in order were the pools and fountains, shrubbery and flowers; playground, piped-in music, penguin pool, and the availability of benches

• Big Question—Now the big question is the results of DTA's last survey—how the merchants feel. On that angle, Arthur Kochendorfer, executive manager of the Toledo area Chamber of Commerce, says: "We have vet to get our first complaint from a downtown merchant that the malls are no good. And you can assume from that that they must be helping some, because if they were hurting, these retail people would be in here complaining in a very big hurry."

There's only one possible hitch to permanent malls—if the other problems can be worked out. City Manager Rink said he has received a letter from a downtown lawyer for a downtown landowner questioning the legality of malls on downtown property and thoroughfares. The city law department hopes to clear that obstacle before the city, businessmen, architects, and other interested parties sit down to decide the question of permanency.

## To be sure of future sales, Westinghouse comes up with this long-range plan

**TOTAL ELECTRIC HOME** — For a market — electricity — whose future shows growth, but less of it, this promotion gets high priority.

POWERCASTING — Helping your customers make increasingly critical decisions correctly can only help you (page 101).

**SYSTEM CONCEPT** — Markets change and so must the thinking about how they can best be served.

**PRODAC** — This is Westinghouse's tradename for an automatic production control system that lets it make specialized control systems for many different applications and still set low-cost volume productions.

ATOM GUARANTEES — Somebody has to pay for pioneering. This Westinghouse policy not only shares the costs but makes pioneering attractive to customers.

**UP-TO-DATE DISTRIBUTION** — Cost reductions are where you find them, and Westinghouse found them in distribution channels as well as in factories.

## Calling the Shots for the 1980s

If you can look 20 years ahead and discern a declining rate of growth for your business, it's time to call in the marketing people and start reversing the course of future history.

Thus, Westinghouse Electric Corp. is busy impressing on the public the image of a home planned unlike any you ever imagined, and loaded with conveniences.

That's a startling pitch for a broadline electrical manufacturer, relatively little of whose volume is done directly with householders. Mostly, the company manufactures turbines and generators and other heavy power plant equipment. Additionally, it's deep in industrial electrical goods, defense work, and atomics.

But that sybaritic home it's promoting isn't a bit incongruous, despite the nuts and bolts character of three-quarters or more of Westinghouse's nearly \$2-billion of volume, Here's why:

 Historically, electric utility loads and capacity double every 10 years.

 But in the second decade hence, it doesn't now appear that they will.

 To insure that they do, some strenuous market development is indicated.  And for quite a few reasons, the home is the most promising source of that new load that will be needed to keep the growth rate stable.

That's the derivation of the highly styled, expensively promoted total electric home (TEH) program Westinghouse has got nicely started and on which it'll be beating the drums all next year. In spite of the considerable volume it should yield for the company's consumer product divisions, the real impact of the total electric home is aimed at the turbine, generator, and transformer shops of South Philadelphia, East Pittsburgh, and Sharon.

TEH, actually, has two purposes. As well as being a long-range business builder for both Westinghouse and its electric utility customers, it's a device to tie together all the company's marketing activities except those of the defense products group.

## I. From Shop to Madison Ave.

The grand strategy of the TEH program is to build up electric consumption and thereby build demand for power-generating equipment. But West-

inghouse has no intention of sitting quietly while this indirect approach works itself. It is also making some radical changes in the methods it uses to sell to the utilities.

You might think the capital goods maker remote from the promotional efforts applied so commonly to autos, or whiskey, or cigarettes. These days. though, that's true only in degree. The capital goods approach is aimed at a class, rather than a mass market, and necessarily it emphasizes technology. But there's a sophisticated marketing campaign involved in selling central station rotating equipment, supplied in the larger sizes only by three U.S. producers, to a few hundred customers, just as there is for cigarettes, involving dozens of companies selling to millions of customers.

• New Concept—This week, Westinghouse offered its utility customers a new service called Powercasting (page 101). It's a slick promotional device, all right, but it also has intrinsic value to the man who must plan an increasingly expensive power system. In the future, when the technique has been adapted to nonutility power systems, it'll be a useful

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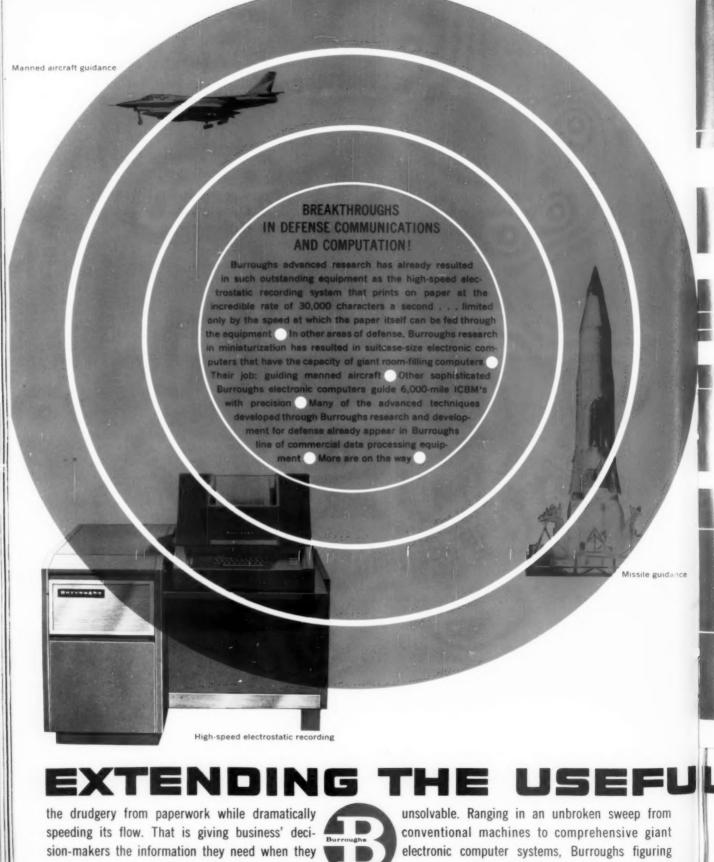
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## EXTENDING THE USEFULNESS OF MAN'S MIND

Burroughs continuing, all-out research is producing one newsworthy advance after another in electronics and data processing. And everyone from the owner of the small business to the



management of the sprawling corporation is benefiting from them. Here is the equipment that is increasing the speed of data processing and reducing its cost remarkably. That is removing



need it. That is solving problems once thought

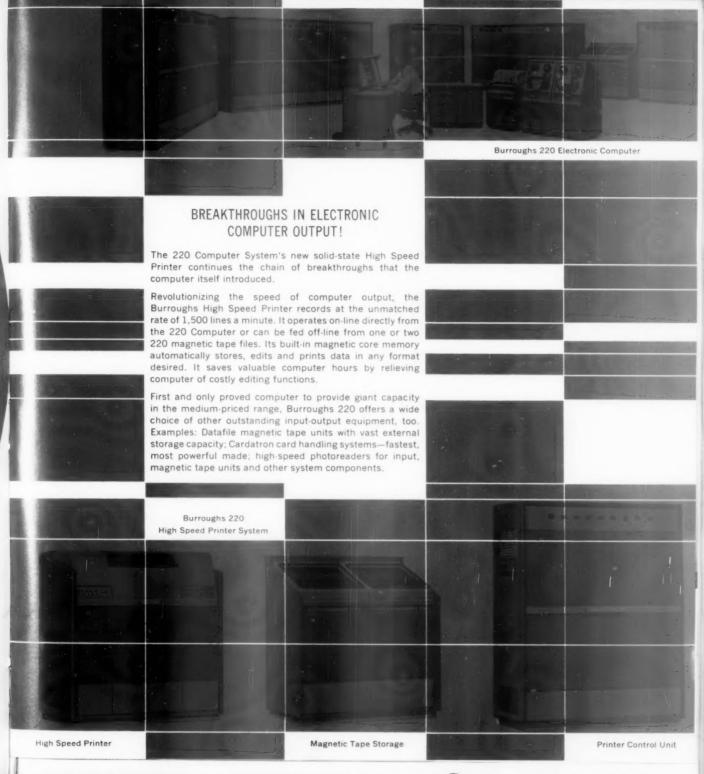
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and data processing line ranks as one of the



## NESS OF MAN'S MIND

most extensive and sophisticated at work in business, science, defense and industry. It's supported by systems counselors who are experts in their fields. And it's growing all the



time. Long and diverse as the line is, its value can be summed up briefly: extending the usefulness of man's mind through "new dimensions in electronics and data processing systems."



NEW BURROUGHS B-251 VSIBL

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## EXTENDING THE USEFU

the drudgery from paperwork while dramatically speeding its flow. That is giving business' decision-makers the information they need when they need it. That is solving problems once thought



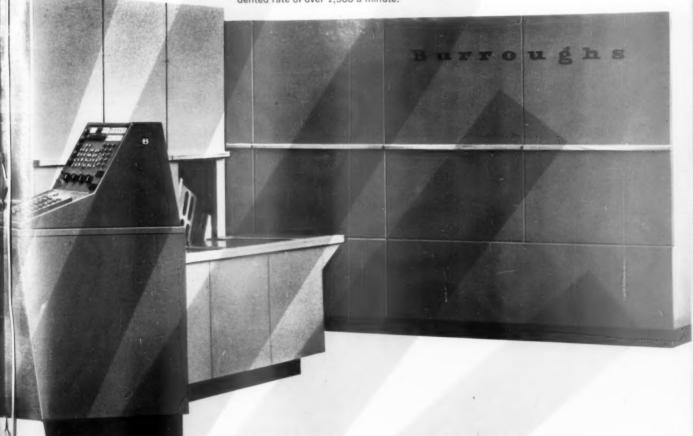
unsolvable. Ranging in an unbroken sweep from conventional machines to comprehensive giant electronic computer systems, Burroughs figuring and data processing line ranks as one of the

## FIFCTRONIC COMPUTERS!

The new solid-state Burroughs B-251 Visible Record Computer marks a revolutionary advance in electronic data processing systems. Through completely transistorized logic, high-speed magnetic core memory, and the new technique of magnetic ink character recognition, it reads and sorts original media, selects and makes daily entries directly on individual account records. In effect, the B-251 VRC "reads" and "writes" the same language read by the human eye, completely automating the processing of the visible records man must have instantly available to guide his business activities.

As a complete bank automation system, this newest product of Burroughs' continuing research electronically accepts, reads and sorts magnetic ink coded checks and deposit tickets, and electronically posts figures at high speed to individual account records. Thus, by combining . . . for the first time . . . electronic data processing and high-speed production of hard-copy accounting records, the B-251 VRC gives banks up-to-the-instant vital management data for improved operational control.

The all-transistor sorter, which may be purchased separately, is in itself a major breakthrough in business' battle against the high cost of paperwork. It is a self-contained unit that reads and sorts documents encoded with magnetic ink-such as checks or sales slips-at the unprecedented rate of over 1,500 a minute.



**B-251 MISIBLE RECORD COMPUTER** lectronic Data Processing System

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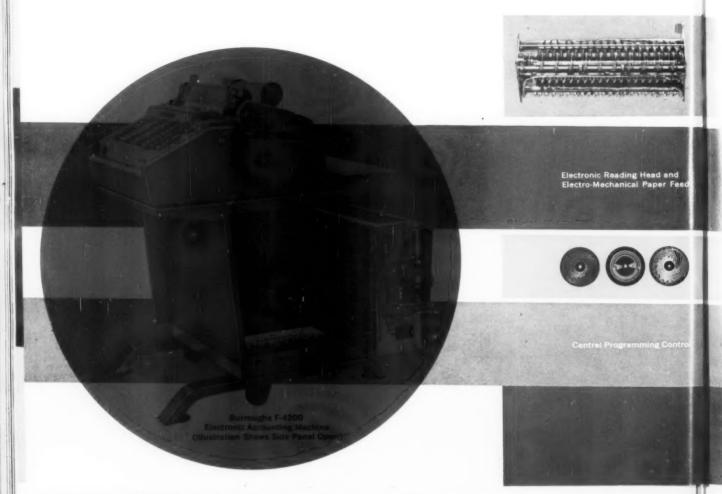
## ULNESS OF MAN'S MIND

most extensive and sophisticated at work in business, science, defense and industry. It's supported by systems counselors who are experts in their fields. And it's growing all the



time. Long and diverse as the line is, its value can be summed up briefly: extending the usefulness of man's mind through "new dimensions in electronics and data processing systems."

BREAKTHROUGHS IN MERGING ELECTRONIC AND ELECTRO-MECHANICAL



the drudgery from paperwork while dramatically speeding its flow. That is giving business' decision-makers the information they need when they need it. That is solving problems once thought



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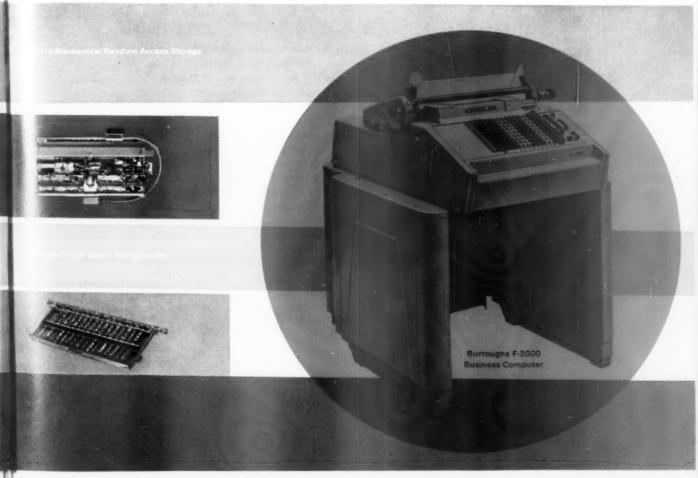
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## ECHNIQUES FOR IMPROVED DATA PROCESSING. Here are machines—and concepts—developed through

Burroughs research that are today helping thousands of businessmen gain greater results and efficiency. Through such advanced techniques as printed circuits for direct multiplication and random access storage, businessmen are given the opportunity to apply these developments to a widening range of jobs.

Burroughs F-4200 Electronic Accounting Machine is the most sophisticated of its kind. It automatically accepts forms inserted into it, positions the forms to the correct posting line, and reads the old balance. It prints the new entries, prints the new balance and ejects the form. It is bringing a new level of automation to firms throughout the country.

Burroughs F-2000 Business Computer, a new dimension in sophisticated electro-mechanical data processing, brings businessmen the advantages of direct computation with direct output to accounting records. It combines features of a digital computer with the operating simplicity of an accounting machine. And it's priced in the accounting machine range.



## LNESS OF MAN'S MIND

most extensive and sophisticated at work in business, science, defense and industry. It's supported by systems counselors who are experts in their fields. And it's growing all the



time. Long and diverse as the line is, its value can be summed up briefly: extending the usefulness of man's mind through "new dimensions in electronics and data processing systems."



For over 70 years, BURROUGHS HAS recognized that advances in EQUIPMENT are only part of its total effort. The OTHER part: professional business skill - knowing systems intimately, and creating what is not already known. This experience, this knowledgeability, this creativity can be brought to focus on seemingly simple or uncommonly complicated figuring and data processing problems at any time-at almost any place in the world. It is through the

Burroughs Systems Counselors that business large and small can realize how to apply the full potential built into Burroughs equipment. For the Burroughs Systems Counselor is as much at home with your problem as he is WITH HIS equipment. Because he has such an advanced range of equipment to offer, you can be sure that his recommendations will be exactly suited to your needs. And his helpful, productive counsel is only

a phone call away.



EXTENDING THE USEFULNESS OF MAN'S MIND



Burroughs Corporation

"NEW DIMENSIONS / in electronics and data processing systems"

selling tool for industrial electrical products, as well.

Actually, Powercasting is just one tangible expression of a broad new marketing concept that Westinghouse is pushing in the sale of the heavy, expensive—and often tailor-made—equipment that goes into today's power system.

That concept is too new to have any trade-marked name, but it's called the "system concept." Here is how the

concept evolved:

For years, electrical manufacturers have been concentrating on improving equipment—building more efficient turbine-generators, for example, or higher-capacity transformers that weigh a good deal less per unit of capacity. The industry leaders for a long time have budgeted better than 5% of gross income for their research and development.

As a consequence, the buyer can shop rather selectively among quite a few producers who can offer him some extremely sophisticated components. Efficiencies are high, prices are very competitive, deliveries and service are good, and there are sizes and capacities to fit

very detailed needs.

Package Deal—Plainly, such a system is fine for the buyer. And it has nurtured smaller, narrower-line electrical manufacturers who can't begin to supply everything you need for a power system, but who are competitive as can be on the components in which

they specialize.

The existence of such narrow-line specialists has plagued the marketing campaigns of the big electrical manufacturers. An example is the fact that probably less than 20% of the central station business Westinghouse writes is "package" business—the type of contract wherein Westinghouse supplies everything from the turbine through the step-up transformer on the outgoing side of a new generating station.

Naturally, a broad-line manufacturer considers that anything that can help him sell his whole line as a package is attractive. And Westinghouse's system concept would have that effect.

• System Concept—But there's more to the system concept even than that. Power loads are growing so big, and technology is evolving so fast, and the atomic-electric reactor foreshadows such a re-direction in power generations as it gradually becomes an economic central station heat source, that some fundamental changes are in store. Westinghouse, at least, is convinced that the system concept is the answer in technology, cost, and customer service as well as a promising marketing tool.

The thinking, briefly, is this:

Up to now, it has been wise, and good enough, to optimize components—to improve that turbine's heat rate, to lighten that transformer, to speedup that circuit-breaker. In the future, how-

ever, with loads growing so big and capital requirements so heavy, Westinghouse believes it's time to quit concentrating on components and start optimizing systems. A utility doesn't really want a turbine and a generator and a transformer and the dozens of other components it needs in a generating station. What it really wants is a system to deliver kilowatt-hours at the customer's load in a way that is most economical—not only from the operating cost standpoint but in capital cost and revenue requirements.

To supply that system may or may not consist of stringing together the most efficient of a series of ever-more-

efficient components.

It was right here that Powercasting got its start. Hence, Powercasting and the system concept are interdependent marketing tools available to help plan properly for the accelerated load growth the total electric home will provide.

#### II. Atoms to Automation

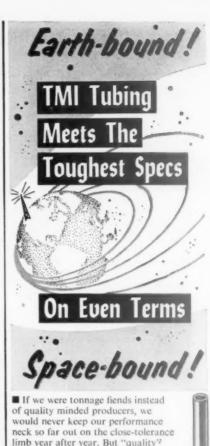
Westinghouse marketing programs can be as specific as some of them are broad. Take Prodac, for example. That's the Westinghouse tradename for a full-line automatic control system that can operate your power plant, control your blooming mill, or operate almost any other industrial process. Quite recently, Westinghouse filled out the line with a new computer—or series or computers, actually, designed in a number of models to permit the assembly of a computer best adapted to specific industrial control problem.

• A Step Beyond—Here again, package selling is involved—as with Powercasting and the system concept. But again, Prodac goes beyond marketing.

In power plant automation, for example, Westinghouse argues that it's ridiculous to automate a power plant and then operate it exactly as a human operator would. Over the years, it has been traditional to furnish a power plant operator with reams of data and, necessarily, instrument the equipment to collect and record it. All that data may or may not be necessary for a human operator to do his job. But the chances are pretty good that not all of it will be needed by an automatic control system.

So, the thinking runs, if you're going to automate a power plant, you should design it from the start for automatic control. Westinghouse thinks the best automatic control will come from a computer specifically designed for power plant control—not from an all-purpose industrial computer.

If your control problem be that of a blooming mill, or a paper-making machine, or a bulk materials handling system, Westinghouse reshuffles its standard models to achieve a computer



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For your free reports on New York State markets—or on transportation, labor, sites, power, raw materials—drop me a line (outlining your specific needs) at the New York State Department of Commerce, Room 752, 112 State St., Albany, N. Y. Or phone Albany 5-7521. We'll also send you our free booklet "Industrial Location Services," which fully explains all the services we can put at your disposal.

Keith S. McHugh, Commissioner, N. Y. State Dept. of Commerce designed to accommodate exactly those problems.

• Gamble on the Future—Then there's a more subtle, more institutional marketing program involving land power reactors—something, you might say, that Westinghouse doesn't really have to sell, at least in the conventional sense.

Not long ago, Westinghouse announced it would guarantee plant costs, capability, and fuel life on two types of nuclear reactors, neither of which has yet been built. That's a pretty startling evolution for a technique that's still some years away from becoming a routine industrial process. Still, those guarantees are as much a part of the company's marketing program as its technical service.

The point, simply, is this:

Some day, every utility will be a customer for atomic-electric plants. When that day comes, Westinghouse figures on being a principal supplier. But before it arrives, somebody has to pick up the check or share the risk.

Hence, Westinghouse is putting flesh on its atomic skeleton—not only by announcing its readiness to build two types of reactors that fit into the next stage of atomic-pioncering, but also, its confidence that it can do so economically. By guaranteeing the costs that lie beyond a utility's control, it makes the offer more than a merchandising gimmick.

Actually, according to Charles H. Weaver, vice-president for atomic power products, one of the two guaranteed reactors would be competitive now in the higher-fuel cost areas of the U.S.

The Westinghouse presentation, Advance of Atomic Power, is a considerable hit on the utility circuit this season. Already, above 50 presentations have been made. Weaver describes it not only as a fulfillment of the supplier's duty to keep its customers aware of the progress in their business, but also as a useful device to help attract the necessary partners in technical development.

#### III. The Toughest Market

The total electric home, naturally, is the splashiest Westinghouse marketing gambit of all. Since it can turn up business for the apparatus divisions only after the consumer products group has loaded the land with homes that use no other energy than electricity, it's the consumer products group that has to bear the principal marketing load of TEH.

So it isn't very surprising that the consumer products group has undergone several years of revamping of its marketing philosophy and organization, of its distribution—even of the manufacturing and sales philosophy on which its plants operate.

Chris J. Witting, group vice-president, thinks his divisions have undergone the most extensive reorganization of any major appliance maker since the Korean War.

• Big Switch—The most fundamental change of all saw the organization of a group known as Westinghouse Appliance Sales (WAS), which last year took over distribution of major appliances, radio and TV from Wesco, a wholly owned subsidiary that sells electrical equipment to contractors and other small electrical equipment buyers.

In making the switch, the number of management locations was reduced from 83 to 36. That proved a key not only to sharp cost cutting but to improved merchandising as well. The smaller number of WAS outlets can be staffed with highly capable people—who are ordered to direct their promotions directly to the character of their local and regional markets.

As for costs, says Witting, Westinghouse had been chasing them hard in the factory, and with considerable success. But it never could really get at appliance distribution costs until it turned appliance sales over to WAS.

• Distribution Setup—While this was going on, marketing Vice-Pres. J. H. Jewell was working hard on distribution costs. One spectacularly successful move was the establishment of a supply depot at Ogden, Utah. Any Westinghouse division that wants to can ship carload lots to that depot, whence mixed lots can be transshipped to reach any point on the coast in four days. For the consumer products group alone, that permitted reducing field inventories by 25%, and improved its market participation simply by letting it service wholesalers so much more promptly.

Ogden will be followed shortly by a similar depot at Columbus.

Backing up the depots are distribution centers. Again, the most spectacular opened thus far is in the Far Westat San Lorenzo, in the San Francisco Bay area. It draws from Ogden and services retailers in its area as Ogden supplies wholesalers all over the West. Others have been or will be opened in New Orleans, Charlotte, Baltimore, Syracuse, and Kansas City. There may be 25 when this program is complete.

• Fast Clearance—The nationwide Teletype system plus the digital computer has helped Westinghouse—as it has helped other marketers. It has enabled significant savings on inventory costs as well as distinctly better service. That in turn has lowered warehousing costs.

Now, there are computers at San Lorenzo, Columbus, and Pittsburgh.

"They and the Teletypes let us move so fast," says one Westinghouse marketer not entirely jokingly, "that now we can fill an order before the customer can cancel it." END



## "What's holding up construction at Plant 3?"

It happens often. Someone decides that a plant modernization or expansion project should be done with in-plant labor . . . and first thing you know, the job's far behind schedule.

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Who's to blame? After all, you can't expect a plant handyman to work as fast (or as well) as the specialist an outside contractor employs. He lacks the experience and know-how. Quite often, he also lacks the specialized tools and equipment. And the supervision a contractor provides.

That's why, when plant modernization or expansion projects need to be finished on *schedule*, more and more companies are insisting that plant management can in qualified outside contractors to do the work. They have the manpower, the equipment and the experience to get the job done quickly, efficiently and in the most economical way possible.

SEND FOR THESE REPORTS. Two reports on contracting-out are available from NECA upon request: (1) "Maintaining Production for America," a 16-page review of maintenance by contract services, prepared by the Construction Industry Joint Conference; (2) "Contracting-Out," a survey of contracting-out policies among

74 industrial plants, published by the Graduate School of Business, Columbia University. For free copies, please write NECA, Dept. B-11A, 610 Ring Building, Washington 6, D. C.

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#### How contracting-out benefits industry

- Stabilizes employment by eliminating "hire-and-fire" cycles.
- Pinpoints job costs. "Do-it-yourself" estimates often inaccurate due to use of unrealistic charges for internal overhead, etc.
  - No outlays for special equipment or supplies.
  - Assures firm job completion schedules; performance and equipment guarantees.
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# To help customers make better decisions, Westinghouse develops Powercasting

SYSTEMWIDE APPROACH—This operations research package simulates an entire utility system's 20-year growth, instead of tackling one segment at a time as most present planning methods do.

**COMPUTER PROGRAM** — Developed in two years of planning work for New Jersey's Public Service Electric & Gas Co., this enables any utility to make quick work of its forecasting.

GAME THEORY—Powercasting uses this economic-mathematical technique to minimize losses even if the worst happens.

VERSATILITY—The principle might also be applied to in-plant electric systems and to other industries. But its first job will be in Westinghouse's marketing to utilities (page 86).

## Utilities Get New Way to Plan

During the next 20 years, the electric utility industry will invest about \$150-billion. Much of that money will buy equipment—and involve technology—which is only experimental, today, if it even exists. But all of it must be planned for.

Happily, a properly programed, highspeed computer can project the next 20 years in the life of a utility system in just 20 minutes. That projection can be detailed enough to show daily peak loads, yet comprehensive enough to cover both capital and production costs, both converted to a present-worth basis. It can be versatile enough to accommodate both controlled and random variables—something as carefully considered as a management decision on reserve capacity margins and something as capricious as the number of times the power lines will be hit by lightning.

This new dimension in long-range industrial planning is a Westinghouse Electric Corp. development called Powercasting. It's so promising that it will be integral to the company's marketing of its principal product group power equipment (page 86).

• Broad Potential—But Powercasting's usefulness transcends its effect on the Westinghouse share of any market. For example, the Powercasting concept, its developers agree, can be applied to de-

sign in-plant electrical distribution systems for industry. Although Westinghouse hasn't yet applied it elsewhere, the mere fact that it can accommodate the vast, complicated, and interdependent set of variables that governs power system growth indicates that it ought to be highly useful in other industries.

#### I. What It Does

Powercasting is a comprehensive, farsighted method of system planning that combines the high-speed calculating ability of digital electronic computers with the mathematics of simulation and game theory. It has three main beauties for the utility man:

 It enables him to simulate enough different situations, very rapidly and at relatively small cost, to be sure of the impact of even the most unpredictable random variables.

• It makes possible comparison of numerous highly detailed alternatives.

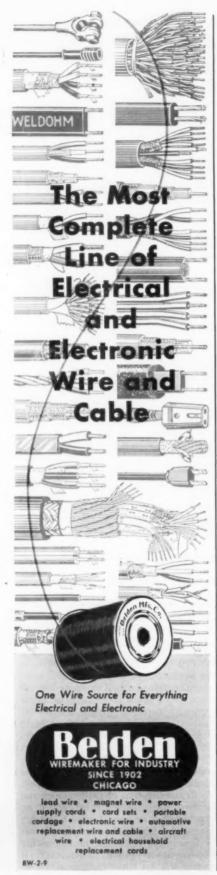
 It can be updated, and corrected for actual experience, quite readily.

Having just about completed the first such study—almost two years long and covering Public Service Electric & Gas Co. of New Jersey, one of the nation's largest utility systems—Westinghouse has just announced it is offering Powercasting to the industry at large, in whole or in part. Its cost: Only that for computer time in the Westinghouse computer lab. And future studies won't take so long, now that the technique is developed.

• Industry Reaction—The utility industry, in many respects a highly conservative one, is interested in Powercasting, but it's not rushing to abandon present forecasting methods. Many utility officials are waiting to see if Powercasting really does prove to be more accurate than other forecasting methods.

Most utility forecasting now is done for segments of a power system—generation, transmission, or distribution. One power company uses a computer to simulate specific planning problems, given a particular load forecast—but not to set up a range of forecasts or locate generator capacity. Others use mathematical probability techniques to make forecasts, but don't integrate these into an over-all decision-making program.

Powercasting claims to be more sophisticated than present planning methods in its use of computers, thanks to its combination of mathematics and human participation gaming, and in its mathematics, where it uses a greater number of advanced techniques. It has a theoretical advantage in forecasting for an entire system. This makes it better able to allow for the effects of



advances in one segment on events in another segment (which may be extremely important in a system as elaborate as a utility).

#### II. Mathematical Models

Powercasting involves constructing two mathematical models of the system under study. One is a model of system loads, the other a model of generating capacity. Each is based on detailed study of past experience, the data accumulated by utility engineers in patterns recommended by Westinghouse.

The data, naturally, is highly detailed. For the load model, it will include day-by-day loads, seasonal and cyclical variations, and historical growth rates and patterns. To this you add any projection of future load growth you think wise, or even useful. You can work it out on a slow, medium, or fast growth prospect, and temper any or all of those with such variations as seem likely or probable.

The generation model, similarly, is constructed from detailed observation of the operating history of every generating station on the system. How many hours per year was each available? How many outage-hours were scheduled, how many were forced? If forced, was it because of the turbine, the boiler, pumps, fans, or what? And much more.

In constructing these models, random unplanned variables have to be allowed for over any given period in a power system's life. You don't, for example, know when an operator's error will put your service-continuity in trouble, but you do know it will happen sometimes. And you had better have a system in place at all times that is versatile enough to accommodate that error-or any of a number of similarly unpredictable disturbances-or you simply won't be able to operate your system as imperturbably as has come to be routine on U.S. power systems. At the same time, you don't want to pay for guarding against utterly unlikely combinations of trouble.

• Monte Carlo Technique—To deal with this sort of thing, Powercasting uses a trick called the Monte Carlo technique. This avoids the complicated mathematics of elaborate probability calculation by throwing dice, spinning a roulette wheel, or, more practically, consulting a table of random numbers to decide what events to put into the forecast. The originator of the idea, legend says, developed it while trying to work out a formula to tell him where a weaving drunk would end up five steps later (a cute version of the problem of what happens to a neutron in an atomic reactor).

If you accumulate your historical data carefully enough, and if you then simulate enough situations on the computer, or "play enough games" in Westinghouse terminology, you can reduce these random variables to a weighted average of their effects, which can go into the model just as you'd put in a management decision to have, say, a 15% reserve capacity.

• Comprehensive Picture—If you accumulate your data precisely enough, if you cover enough of the endless variables, if you work through enough possible situations to develop the random variables properly, these models, when themselves put to the computer, will yield a day-by-day picture of what your system load growth will be over 20 years. They also will tell you how much generating capacity—where, in what sizes, and by what dates—you will have to install to meet the load while maintaining the reserve you want.

#### III. How Never to Be Wrong

Capital cost is a large portion of a utility's total cost. Hence, when the computer has told you how much capacity you'll need at what dates—and where on your system it should be located—management is in a position to make the best possible decision on each capital item as it arises.

• Critical Decisions—Such decisions are becoming more critical all the time. Partly, that's because power generation and distribution technology is changing rapidly, and has some predictable and profound changes just ahead.

In part, also, that's because loads will grow so large that they'll be able to be handled at all only with much larger—hence vastly more expensive—equipment. Example: Only 10 years ago, a 150,000-kw. turbine was a monster. Today, electrical manufacturers are ready to build 600,000 and 800,000-kw. units.

U.S. central station capacity is expected to reach about 159-million kw. by the end of this year. If power capacity continues its past trend over the next 20 years, this figure, at the end of the period covered by the first Powercast study, will rise to almost 600-million kw. Loads of that size can only be handled by individual units so large and costly that the possibility of error in decisions about them is inadmissible.

• Minimax Test—Now, if, at the time of decision, you have on hand a detailed picture of what your load growth is going to be and what capacity will be required to meet it, the best decision on any particular point is much more predictable. Normally, you have to decide which of several possible things to do, and the computations you have made give you a pretty clear picture of the costs, profits, and risks of each of them. That doesn't automatically tell you which one to pick—how to weigh risk against profit, say. But here Westinghouse's forecasters suggest a

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Investigate South Carolina. Write or telephone Walter W. Harper, Director, State Development Board, POplar 5-2912, Dept. BW-119, Box 927, Columbia, S. C. for free booklet, "South Carolina on the March." concept from one of the new economicmathematical disciplines, the theory of games. The concept is the so-called minimax principle: When you have to act in an uncertain situation and don't know what your opponent will do (in this case, your opponent is the future), the best long range strategy is to take the course on which, if everything goes against you, your losses will be least.

With the information Powercasting develops, it's not hard to calculate which choices best meet that test. Other tests could be used—maximum profitability if you get the breaks, for instance. But Westinghouse figures that the minimax test is the one likely to be useful in making utility decisions.

For a utility man, prospective windfalls are small temptation. Utility profits result from service, high efficiency, constant technical improvement. The nature of the business is such that you're under pressure not to shoot for the windfall profits, but rather to minimize your very heavy capitalization at the least risk of trouble.

"With the Powercasting method," savs Dr. J. A. Hutcheson, Westinghouse's engineering vice-president, "we can plan with such precision and such perspective that we can start with loads where we want them and work backwards to design optimum systems to deliver them-not just for today or five years from now, but 20 years ahead." · Partial Benefits-For the utility that isn't ready to take the whole plunge, Powercasting has numerous partial benefits that can be had fairly promptly. For example, there's the problem of which turbines vou ought to operate in light-load periods-nights, holidays, and weekends. The obvious move is to shut down the higher-cost units, but that isn't necessarily the best answer.

The Powercasting technique, by resolving all the variables from several different viewpoints, can turn up a best answer.

 How Many Times?—How many games must you play on the computer once you have all the data and have constructed your models?

"That's something we aren't finally sure of yet," says Dillard. "We know you don't need, say, 100. We know it has to be more than one. Right now, it looks as if eight to 10 games ought to be sufficient. When you've done that, you can tell the utility manager the odds on practically any decision he'll face involving load growth and how best to meet it. That'll let the man put a dollar value on every decision.

"For example, should he buy capacity or build it? Should he junk a machine or hold it, build a highly efficient plant at an existing location, or a less efficient plant at the site of some new load? When will atomic power make sense for his system?" END



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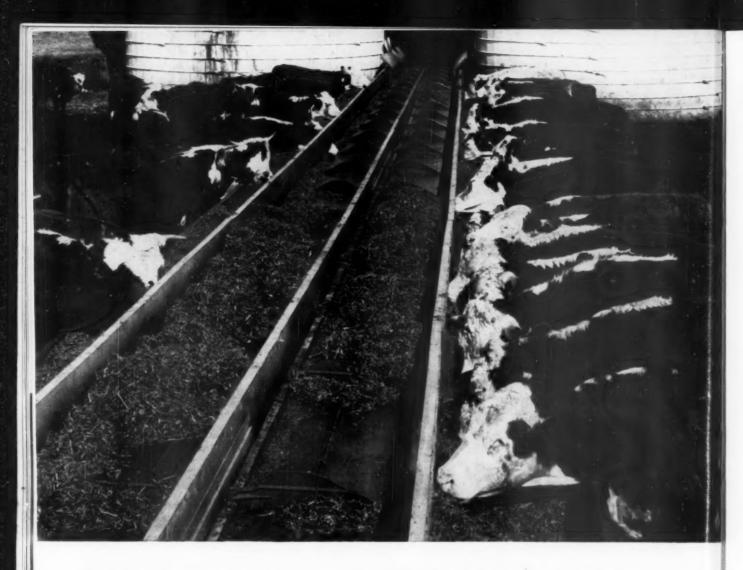


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# **Egypt Turns Friendlier to West**

Nasser reveals both political and economic misgivings about his close ties with Russia after Suez affair.

If the World Bank approves a loan to the United Arab Republic, as expected within a few weeks, UAR Pres. Gamal Abdel Nasser will lay down his trowel (picture) and walk over to the Suez Canal to pick up a shovel. The \$56-million loan is to pay for deepening and widening the canal.

That the UAR has turned to the World Bank marks a distinct shift in its foreign policy, both political and economic. After the United States withdrew its offer to finance the Aswan Dam, the World Bank also declined to extend funds. This helped precipitate the Suez crisis, when Nasser swung the Egyptian ship-of-state hard to the left—into Russian waters. With a return to dealing with the World Bank, Nasser shows that he is now trying to steer a middle course.

• Why the Shift?—The UAR has changed its tack for several reasons:

• Nasser has become disenchanted with the Kremlin because Arab Communism has challenged Arab nationalism to an all-out ideological war. In Iraq, the Red bids are in the open; in Syria, they are underground.

• The UAR is disillusioned with Soviet trading practices. The Russians have dumped Egyptian cotton in Europe at prices below those of the Egyptians themselves. The Reds have shipped inferior machinery and materials to the UAR. Some UAR orders were delivered months late, others never filled.

• Nasser wants to double the present national income of \$2.5-billion in 10 years, not the 20 years that planning experts earlier recommended. To do this, he needs all the capital he can get, wherever he can get it.

• The UAR's foreign exchange is all out of balance. Last year, the nation imported \$700-million worth of goods, exported only \$500-million worth. Moreover, it got 50% of its imports from the U.S. and Western Europe, sent only 27% of its exports to those countries. In contrast, only 32% of all imports came from Russia, while 45% of all exports went there. The nation has been accumulating nearly useless rubles and is suffering a severe deficit in hard Western currencies.

• Change of Heart—Now Nasser is encouraging more trade with, and investment from, the U.S. and other non-Communist nations. He has succeeded in getting the Export-Import Bank and Development Loan Fund to extend loans for Egyptian projects and has in-

duced a trickle of U.S. private capital into the country.

Despite his change of heart, however, Nasser has no intention of moving completely away from the Russians. Soviet influence in the UAR is strong and will remain so for years. The Reds are starting the first stage of the High Dam at Aswan and are giving signs that they fully intend to stay for the second and third phases of the project. And the UAR has heavy loan commitments to pay off to Moscow.

The UAR wants to do business with both sides. It's hard to describe one so aggressive as a neutral, but Nasser's policy now clearly calls for non-alignment with either side.

• Industrial Growth—Like most leaders of poverty-ridden nations, Nasser believes the best—and perhaps the only—way to improve the standard of living of his people is through rapid industrialization. He has surrounded himself with an economic braintrust and mapped out an over-all development plan.

It calls for increasing industrial production by 75% in five years. In contrast, agricultural output is expected to go up only 13%. Today, industry contributes only 11% to the national income.

In 1957, the Ministry of Industry drew up its first five-year plan, which, according to recent figures, will cost



EUGENE BLACK, World Bank head, gives hand to UAR Economic Minister Kaissuni.

\$862-million when finished. Two-thirds of this is already allotted for such projects as an iron and steel mill, a nitrogen fertilizer plant near the site of the Aswan Dam, canning factories, textile mills, paper mills, synthetic fiber plants, and automotive assembly plants.

• Foreign Money—Of the \$600-million already allotted, about half has come from foreign sources. A Soviet loan of \$170-million in 1958 started things off. But the UAR began shifting back to non-Communist sources when West Germany extended \$100-million in credits and Japan added \$30-million.

U.S. participation so far has been small. Early this year, the Export-Import Bank lent \$5-million to a private chemical company to expand fertilizer production. This summer, it lent \$9-million to the UAR government for the purchase of 58 dieselectric locomotives, spare parts, and shop tools.

The Development Loan Fund is now making loans for the first time to the UAR. This month, it lent \$700,000 to a private textile company for a new plant in Damascus. U.S. private enterprise is also getting into the act in a small way. Last month, Charles Pfizer

& Co., Inc., signed an agreement with the UAR to build a \$500,000 pharmaceutical plant in Egypt (BW-Oct.31 '59,p75). This was the first U.S. manufacturing investment in the UAR since the Suez fracas.

• Deeper Canal—The most immediate indication of the swing to the West will be the World Bank loan for improving the Suez Canal. The canal is important to the UAR for more than economic reasons. It has become a symbol of Nasser's intention to be the leading power in the Middle East. He deeply desires to show the West that he can keep the canal open and running as efficiently as before.

So far, he has succeeded. But to continue, and to free canal revenues for industrialization, he needs outside help. Nasser prefers not to get it from Moscow—although he has muttered that he'll look there if the World Bank turns him down. He has already committed \$25-million in contracts to Belgian and Dutch dredging companies to begin work.

When current improvements are completed in July, 1960, ships with a 37-ft. draft (46,000 tons) will be able to pass through. The full project that Nasser plans will take 10 years to finish and will cost \$250-million. This will permit simultaneous two-way traffic for ships of 45-ft. draft (75,000 tons).

• New Plan Coming—A second fiveyear plan, now under study and slated to begin in 1961, will continue the industrialization. It calls for an ambitious total investment of close to \$1-billion. It will aim at consolidating newly developed industries and opening up new ones to produce for export. Mining and chemicals top the list of projects.

The UAR expects to pay for this with \$490-million in local currency and \$420-million in foreign capital. To attract foreign investors, it is reviving a foreign investment law adopted in 1953 but never applied because the Suez dispute came along

• Foreign Ventures—A new interpretation of the law permits foreign firms to have joint ventures with local companies with up to 60% capital participation and management. The ruling also gives tax relief, some tariff protection, a guarantee of repatriation of capital in the same currency after it's been in the country five years, and the right to export part of annual profits and royalties.

U.S. businessmen can expect more information on this after a U.S. government trade mission returns from Cairo and Damascus in January. Although plans are not yet firm, it will include a Commerce Dept. official and businessmen representing tourism, exporting and importing, machinery, finance and investment, market research, and product promotion. Commerce officials are

optimistic about increased trade. They expect a tax treaty, possibly with a tax-sparing provision (BW-Nov.21'59, p146), to be signed shortly.

• Coming Back—Another sign of a more favorable political and economic atmosphere for Western business in the UAR is the slow but steady return of companies that either left or were thrown out during the Suez crisis.

Anglo-Egyptian Oilfields, Ltd., an affiliate of Shell-British Petroleum with \$150-million in assets, has been returned to its owners. It is considered the largest foreign investment in the nation.

Other companies have started converting themselves from wholly owned subsidiaries to Egyptian joint stock companies to comply with the foreign investment law.

• Foreign Exchange—If Nasser is to undertake any massive industrialization program, he needs more than foreign loans and investment. The UAR will have to bring its foreign exchange back into balance to build up its own fund of hard foreign currencies that will be used to buy industrial equipment.

Key to solving this problem is King Cotton. After the Suez quarrel, Britain and France, once Egypt's best cotton customers, stopped buying. Egypt's assets abroad, which were used to pay for imports from those countries, were

This forced Nasser to pay for imports from the West by dipping into reserves at home—which seriously drained the treasury of hard currencies—and by bartering cotton to the Communist bloc. This imbalance increased Egypt's dependence on the Soviet bloc month by month—and made Nasser more beholden to Moscow than he cared to be.

This fall, Egypt initiated a trade policy designed to reorient Egyptian cotton to Western markets. It has dropped shipments to the Soviets from 70% to 40% of cotton exports and enticed Western nations (except Britain) to take up to 53% of exports.

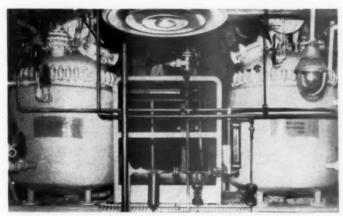
• Reversing the Trend—The UAR has high hopes that this trend will continue and reverse the balance, to some extent at least. Officials are trying to increase foreign sales from \$30-million of \$70-million annually, which may be overly optimistic. Much depends, of course, on the price of cotton, which fluctuates widely.

The U.S. has been trying to ease the exchange difficulties by shipping \$117-million worth of food surplus to the UAR, so far.

The latest agreement, signed in Cairo this month, sends \$9.6-million worth of wheat and barlev to drought-stricken Syria. All surplus payments are in UAR currency, 25% of which is earmarked for loans to private companies through the Export-Import Bank. END

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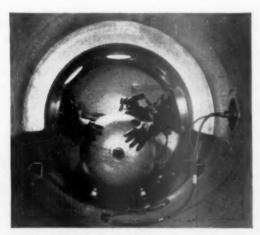
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The inert gas chamber shown here during the making of the first tantalum lined reactor is one of our special techniques for welding oxygensensitive metals in the absence of air. Such pioneering in the fabrication of new materials is an important part of the FLUIDICS program.

#### FLUIDICS AT WORK

#### Providing pharmaceutical makers with a cure for product purity headaches

There are often two heads to the process problems faced in the making of pharmaceuticals.

More than in any other industry, you have to be wary of product purity. And, more often than not, you are handling corrosives.

Merck and Company, for example, makes a series of steroids which involves, among other corrosives, chlorine, bromine, and organic acids.

What sort of equipment do you use for such products which satisfies both quality controllers and company comptrollers with an eye to a fair return on capital investment?

Experience turned Merck engineers to Pfaudler Glasteel equipment. Glasteel cannot contaminate a product; it is completely inert.

Glasteel equipment from Pfaudler is a common sight wherever you go in the pharmaceutical industry. The reason is simple. It combines protection of product purity with long-lived corrosion resistance in one economical material. Twenty to thirty years of service with corrosives like those mentioned is common with this equipment.

#### IN FOOD PLANT

#### High-speed filling helps cut packaging costs

The best possible answer to a fluid processing problem must necessarily

processing problem must necessarily include the factor of economy.

A year ago, Rich Products replaced three old-style filling machines with one Pfaudler rotary piston filler. One year and 2,000 operating hours later, savings in labor, cleaning time, and parts relabor, cleaning time, and parts re-placement reclaimed 94% of the cost of the new machine. The actual production savings worked out to \$2.94 per hour.



#### FLUIDICS AROUND THE WORLD

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Write to Pfaudler Div., Dpt. BW-119, Rochester 3, N. Y., for more information about any phase of our FLUIDICS program. Copies of our 1958 Annual Report are also available on request.

### In Business Abroad

#### Campbell Soup Branches Out Abroad From Australia and Mexico

Campbell Soup Co., seeing an increased demand abroad for "convenience foods," is intensifying its international efforts.

This week, the company revealed that it is negotiating to acquire an Australian processing company. Both companies have agreed to the deal and are now waiting for approval from the Australian government.

In Mexico, the company said, it will establish the country's first large canning and marketing setup for soups and other food products. Large stocks of Mexican vegetables are available at lower prices than in the U.S. Some Mexican processed products may be sold in the U.S. through established Campbell channels.

#### British Motors Plans Big Expansion, Will Double Output of "Baby" Cars

British Motors Corp. this week announced a threeyear, \$137.2-million expansion program. The disclosure follows closely after expansion news from West Germany's Daimler-Benz (BW-Nov.21'59,p135).

The expenditure for plant and equipment is necessitated by increased demand both at home and abroad, a spokesman said. Domestic orders this year will be almost three times 1958 figures. Exports to North America alone are up 49% over 1958.

BMC's new "baby" cars—Austin Seven and Mini-Minor—have been so well received that planned output of 4,000 a week is to be doubled. The company also said it would unveil a new range of light commercial vehicles in January.

#### Du Pont Subsidiary in Argentina Settles Strike With 30% Pay Boost

A U.S. chemical subsidiary lost a lot of production this fall when it got caught in a crossfire between the Argentine government and labor. The uproar quieted down this week, and output has resumed.

Pres. Frondizi's regime is committed to holding the line against inflationary wage increases. Last June, when employees of Ducilo S. A., du Pont's synthetic fiber producer, demanded wage increases, the company offered a 30% across-the-board raise, if accompanied by changes in work practices that would increase productivity.

The union refused the productivity demand but did not strike until September, when 2,500 workers went out as part of the general textile strike called by the Argentine textile workers union to protest government economic policies. Before the strike, slowdowns practically paralyzed the company.

The Argentine government ordered the Ducilo workers to negotiate an agreement, but union leaders refused to show up for mediation meetings. The Minister of Labor then declared the strike illegal.

Last month, Ducilo dismissed the workers. When the company started recruiting a new labor force, strikers lit bonfires on roads to the plant, stoned buildings, and attacked job applicants.

Police broke up the rioting. This week, the company and the union settled for a 30% wage increase—and the productivity provisions that the company offered in Iune.

#### South Africa Welcomes Investment But Cracks Down on U.S. Goods

The Union of South Africa has underscored its economic policies toward the U.S. in three separate actions.

At the opening of a sugar refining plant in which a U.S. company, Corn Products Refining Co., has a 50% interest, a leading government official spoke highly of the role of U.S. capital in South Africa's industrialization. He said the Union is "hospitable" toward such capital and will try to make it secure.

But the Union is getting tough on some U.S. imports. The government announced it wants to make the country 90% self-sufficient in the production of original and replacement parts for autos and trucks.

It will encourage local investment by throwing up a tariff wall to protect South Africa products. The plan recommends a special duty of 25% plus 14¢ for every pound of equipment imported. Officials estimate that scheme will save the Union \$84-million a year by the end of a 10-year transition period. Ford and General Motors have assembly plants in the Union and import most of their components.

In a third action, a clothing manufacturer disclosed he has retailed a sales representative in New York. A few months ago, the first consignment of South African blazers and sports jackets was shipped to the U.S. and sold well.

# One British Employer Shortens Work Week, Others Resist Change

British labor's campaign for a shorter work week (BW-Nov.7'59,p138) moved forward on one front this week but got stopped cold on another.

Ford Motor Co., Ltd., agreed to cut the work week from 42 to 41½ hours without loss of earnings. The company refused to grant a third week of vacation with pay and asked the union to cooperate in getting better output and workshop discipline.

In contrast, the shipbuilding industry turned down union demands, saying labor had not shown readiness to eliminate restrictive labor practices.

In the past, the industry, threatened with a strike, has given in to labor demands. This time, observers believe, management will be adamant.



# At the fingertips of your A-L Salesman ... and at your service

In these card index wheels ready for action are the three teams of engineers and service personnel who back up your Allegheny Ludlum salesmen—the largest group of specialists in depth in the specialty steel business.

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These teams, a total of 880 engineers and service people ready to help on any special problem, consist of these three groups:

**380 Research & Development men** who create new alloys, find new applications for today's alloys—and offer you every help in using them.

300 Quality Control men who rigorously test raw materials and each phase of manufacturing, pass on

the finished product to assure you of Allegheny Ludlum quality in your steels and alloys.

200 Customer Service men who understand and solve customers' special problems, eliminate extra work on ordering and billing, answer inquiries promptly—act as your expediter.

These are the men behind your Allegheny Ludlum salesman. Let him put the right specialist from 880 engineers and service men at your service when needed ... whether it be something new, special or different, or for your regular requirements for top quality stainless, tool or electrical steels. Allegheny Ludlum Steel Corporation, Oliver Bldg, Pittsburgh 22, Pa.

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#### PACKAGE CHEMISTRY IS "SHOW BUSINESS"

In spite of the most complete and careful planning, design testing, and research that precede the launching of a new package, its actual debut in the competitive market place is as exciting and unpredictable as a Broadway opening. Will you have a hit on your hands? To help your package score with the critics and the public, packaging chemistry from Dow complements the skills of the package designer and engineer with the excitement of new materials, with imaginative ways to use older ones...

# TRYCITE ... NEW LOW-COST FILM STARS IN GIFT WRAP ROLE

In the consumer's eye at least, gift wrap is the most glamorous of packaging. And when she shops for gift wrap materials she looks for a well-packaged product that suggests the wrapping magic it makes possible.

From the gift wrap manufacturer's point of view, the No. 1 requirement is quality packaging that will not add substantially to the cost of his line. The overwrap must not only merchandise the product winningly on shelf or counter—it must protect it sturdily during shipping, storage, and during sustained shelf-life.

A new film product of Dow packaging chemistry—TRYCITE®—has solved the problem for manufacturers of quality gift wrap. The new film represents

an important breakthrough as the result of 15 years of work by Dow chemists to reproduce the economy, clarity, and dimensional stability of polystyrene in film form.

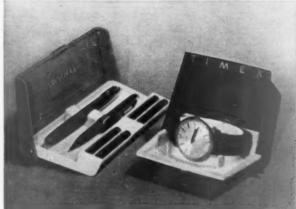
Here's why Trycite is ideal for gift wrap overwrap and many similar applications. Exceptional clarity provides a perfect window that lets product quality come through clearly. Surprisingly low cost, less per square foot than any comparable packaging film. Keeps its shape indefinitely. Trycite is "bilaterally oriented"—won't curl, warp or wrinkle. A flat package stays flat. And because Trycite doesn't absorb water vapor, it won't swell, stretch, shrink or dry out. Lasting shelf-life of Trycite is outstanding.

Won't dry out or discolor. This is especially important for protection of products that are handled at the point of sale.

One of the first applications for Trycite was in window envelopes. It was an easy step to window boxes, overwraps, pouches and bags of all kinds that need clarity for effective selling. Important uses include window-box cartons for foods where its breathing ability allows air, water vapor, gases to pass through and leave the package unclouded; and as bags and pouches for soft goods such as handkerchiefs and hosiery. Every day this exciting new film material is opening new windows on sales for alert packagers. Have you looked into TRYCITE?







#### SARAN RESINS:

#### inside protection job

Sometimes the "show window" idea in packaging requires a coating to make it work. Example: the striking looking new tube that shows and sells Prell Concentrate Shampoo.

The manufacturer's idea was to put shampoo in a transparent polyethylene tube, so attractive that it would invite the shopper, as well as the person in the shower, to pick it up. But first the Concentrate shampoo had to be effectively locked in, the tube made impermeable so that the product would not affect the outer package or be

affected from the outside. Dow's answer: a thin coating of Saran resins inside the tube which allowed the package designer to use the ideal flexibility and good transparency of polyethylene, with the tailor-made protection of Saran resins added.

This kind of working partnership between films and coatings is one that Dow is able to explore to the fullest for the product in search of a new package. Flavor and freshness can be sealed in, impermeability to many liquids and vapors added to films and molded containers by a Saran resin coating. Tailoring like this can make the package fit your product to a Tee.

#### STYRON:

#### for "jewel-case" atmosphere

In setting the stage for sales of relatively high-ticket items, Styron® from Dow stars. Gift items especially can be dramatically presented by rigid container packaging using Styron. Recent examples of this kind of good showmanship: a plastic case for a penpencil set, another for a wristwatch.

The black and white Styron plastic case smartly displays the watch with a suggestion of elegance and quality; also serves to store the watch when it is not being worn. A two-tone Styron plastic case makes an ensemble sales unit of a 6-piece pen-pencil-refill set; and can serve as a desk set.

Packaging possibilities with Styron are broad and versatile. Minute details of design can be faithfully reproduced. Color styling has a wide palette, including crystal clarity, opacity, and textures. Special formulations can emphasize impact strength, heat resistance, dimensional stability. Why not ask your package designer to dream a bit, with Styron in mind?

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Materials are the basic ingredients of every good package . . . and can make or break the greatest creative design that ever came down the pike. And so we suggest that you invite packaging chemistry into your strategy sessions on your new package. Dow experience in materials, marketing, and merchandising is available. THE DOW CHEMICAL COMPANY, Midland, Michigan, Plastics Sales Dept. 1525AF11-28.

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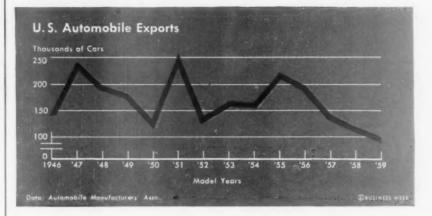
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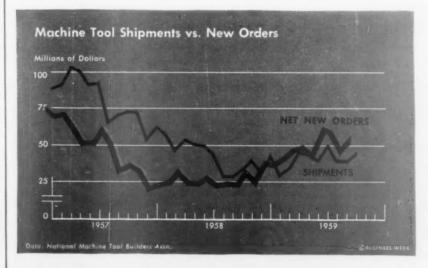
#### CHARTS OF THE WEEK



### **U. S. Auto Exports Dwindle**

More than 2.5-million U.S. cars have been shipped abroad in the 14 years since the war; that's almost 3.6% of total output. But the foreign market has been diminishing steadily due to the buoyant growth of foreign auto manufacturing, the expansion of U.S. assembly operations overseas, and the tax-and-quota restrictions imposed on

imports by many foreign countries. In relation to industry output, exports of 7.3% of production in the 1947 model year were the high point for the U.S.; the export record of 262,471 cars was set in the 1951 model year. By 1959, the percentage had fallen to little more than 2%, with only 114,406 units shipped abroad.



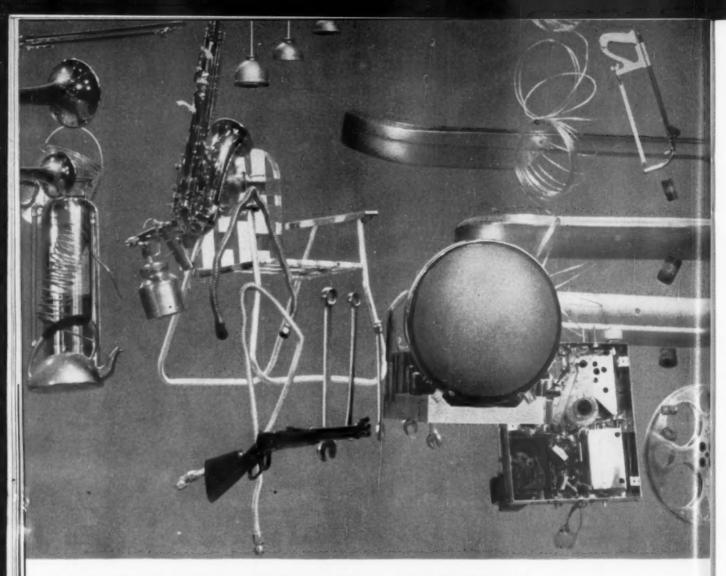
### Machine Tool Orders Up

By the end of September, machine tool builders had the biggest backlog of new orders since March, 1957—enough to keep them busy for five months if they have the necessary steel. Net new orders have been running ahead of shipments all through 1959, a healthy situation unmatched since the third quarter of 1956.

Part of the September improvement

was due to an unexpected flood of foreign orders for metal cutting tools, which rose to \$8.1-million from \$3.5-million in August.

For the third quarter, foreign orders for all types of machine tools neared \$24.4-million, three times the 1958 period and particularly noteworthy in the light of the stiff competition from German and British companies.



# THESE AND MANY MORE PARTS OF YOUR LIFE NEED A BATH IN COLUMBIA-SOUTHERN TRICHLORETHYLENE

Metal is a very important part of your life. Think about it for a minute. For pleasure: musical instruments, television parts, fishing reels, automobile bodies. For your home: appliances, furniture, door knobs, hacksaws. For beauty: lamps, compacts, clocks.

Before any of these items can be polished, plated, painted or enameled they must be cleansed of grease or dirt in a bath of Columbia-Southern Trichlorethylene.

This Trichlor bath is known as degreasing and it is accomplished by dunking the items in a tank of clear Trichlorethylene liquid. Or it may be done by passing the items through a Trichlorethylene vapor. In either case, the products emerge clean and free of impurities, ready for the finishing touches.

Such ordinary items as door hinges, for example, must pass through this operation before they are ready for market.

Step 1 shows a grease-laden, oil-covered, gritty hinge about to get the vapor degreasing treatment. Step 2 shows







the hot Trichlor vapor which has condensed and is dripping off the hinge carrying the dirt and grime away. Step 3 shows a bright, clean hinge ready for your door.

Columbia-Southern Trichlorethylene is used by industry to make the metal parts of your life last longer, look better, perform more efficiently.

For more detailed information about the advantages of modern vapor degreasing, please address "Solvents" at our Pittsburgh office.

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# No Club, but Gentle Nudges

Finnegan and his U.S. mediators must work by persuasion, seeking to thaw frozen positions of management and labor.

Joseph Francis Finnegan, director of the Federal Mediation & Conciliation Service, is a smiling Irishman who can see a bright side in the generally discouraging recent developments in steel

negotiations.

A week ago, optimism over the possibility of a settlement in the long deadlocked steel dispute rose on reports of "some signs of progress" in negotiations, then an announcement of a new industry offer to the United Steelworkers. The optimism was short-lived. The new hopes ebbed quickly when the union turned down the offer with a strongly worded starement (BW-Nov. 21'59,p59).

The flurry of bargaining activity, the slightly revised industry offer and its rejection, appears to have left the dispute where it was three weeks ago, when a half-million striking steelworkers returned to the mills under an 80-day Taft-Hartley strike injunction.

• Relaxing—But, to federal mediators, the offer—although unacceptable to the union—was a hopeful sign of bargaining progress. It loosened the industry's negotiating position a little more, and it introduced a few new ideas that can be explored in mediation with the stubbornly opposed parties.

Finnegan and his top-level FMCS aides resumed their close contact with industry and union negotiators this week, after a two-week recess. Their mediation efforts will be coordinated over the next four weeks with the work of the special Taft-Hartley board of inquiry headed by Dr. George W. Taylor of the University of Penn-

sylvania.

Intensive federal mediation is planned in this critical period, roughly through the Christmas holiday. It will be backed by Administration pressure—when and as it can be applied. The object is a settlement in bargaining, before Taft-Hartley machinery begins moving inexorably through election and other processes that could result in the dismissal of the present strike injunction,

For four weeks, the spotlight will be, at times, on the FMCS and its private and confidential efforts; at times on the board of inquiry and its mixture of public and private mediation, somewhat extra-legal in nature. There may be an



JOSEPH F. FINNEGAN, head of the Federal Mediation & Conciliation Service, is an optimist who can see hope even in the steel deadlock. Lacking power, he needs to be.



TOP MEDIATORS map steel strategy. (Left to right) Walter Maggiolo, Robert W. Donnahoo, Director Finnegan, and Deputy Director Robert Moore have been involved since mid-July in the day-to-day efforts to settle the steel dispute.

appearance of conflicting interests and competition for the credit for a settlement. But, regardless, the campaigns will be coordinated; at the least, they will be cleared through Labor Secy.

James P. Mitchell.

• Independent-The Federal Mediation & Conciliation Service, headed by Finnegan since 1955, was established originally as an agency of the Labor Dept., but became an independent department under the Taft-Hartley Act in 1947. It is one of the federal government's smallest, with a total personnel of about 350 and an annual budget of \$4-million.

By law, it is charged with assisting labor and management in settling disputes in interstate commerce by making available its facilities of conciliation, mediation, and voluntary arbitration. It has no power to compel a settlement, and traditionally it has refrained from making public recommendations-a policy it might drop if the tight steel impasse continues.

Parties to a contract must notify the Service 60 days before an expiration or termination. When the FMCS intervenes, the parties have a statutory obligation to "participate fully and promptly" in mediation. Most do, but some do not-and FMCS can't force

The steel dispute this year has been

a matter of particularly deep and troubled concern for FMCS.

· Loaded for Bear-Finnegan warned last March that negotiators on both sides of the steel bargaining table "have been preparing for this round for the past three years-I expect both sides are loaded for bear." He expressed a hope, then, for "a mutually satisfactory agreement . . . out of conscientious bargaining." But he wasn't really hopeful.

The federal mediators frequently have trouble handling major cases in three industries-steel and autos particularly, rubber to a somewhat less extent. The size of the industries is one important reason; another is the balance between management and union in each.

When the bargaining agent is large and powerful, and strongly opposed by management's industrial relations structure, the FMCS knows it faces trouble. Then, the parties usually bargain by blueprint and timetable. They do not want the help of mediators-they consider it the interference of outsiders.

• A Snub-"We once had an employer tell us that he pays over \$50,000 a year for a man to deal with his union and doesn't want an \$11,000 a year outsider getting in his way," Finnegan said recently. He added, "Fortunately, we don't have to contact many like him.'

Last year, the FMCS handled 6,490 active mediation cases-those in which mediators conducted meetings and actively participated in negotiations. An additional 10,733 cases were watched over by mediators in 1958, although the mediators did not actually sit in on negotiations.

Although the case load has been fairly stable over the past few years, it is higher this year-in part because of the uncertainty in other bargaining due to the impasse in steel, just as much because the same basic issues are being contested in others.

In 1955, with a slightly lower case load, the FMCS had 235 mediators, now it has only 201. According to Finnegan, this is the second year that it can be considered understaffed. But more manpower would require more money, and FMCS requests for even a small increase-to \$4.2-million-so far have got nowhere.

· Regional Posts-The mediators are assigned in seven regions, under directors with 15 or more years of FMCS experience. The agency's operations are decentralized; they have to be-a Houston mediator, for instance, works under a regional director located in St. Louis, so close contact is hard to maintain. This means that a mediator has to operate pretty much on his own.

There are some hazards in this. Although mediators are closely screened and must have a demonstrated capa-



Modern refrigerators are getting away from the monotonous "white" look. Free use of color-inside as well as out-imparts a gay, light-hearted touch. Refrigerator interiors fairly glow as a result of soft pastel shades on shelves, shelf trim, vegetable and meat drawer fronts, freezer section doors.

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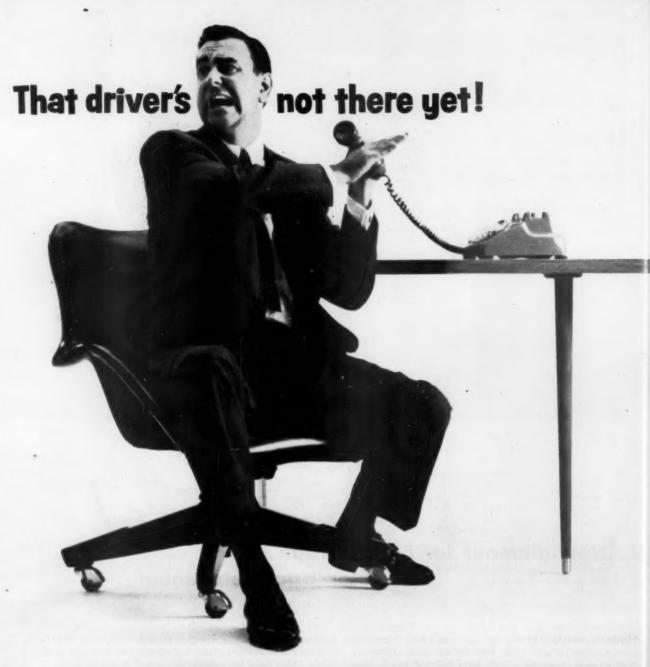
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T. FT-HARTLEY INQUIRY BOARD in steel dispute coordinates its efforts with Finnegan's mediators. Here Dr. George Taylor (center), head of the board, talks to top steel negotiator R. Conrad Cooper (left) and Steelworkers Pres. David McDonald.

binty and responsibility, unfortunate assignments—leading, perhaps, to unforescuble clashes of personalities—have led to ome intensified mediation problems.

Strikes have occurred that should have been prevented," Finnegan says, frankly, "We found out afterward we had the wrong men in trouble spots. We try to keep a check on how our people fit in, but we can't be 100% sup."

Ordinarily, a federal mediator has 30 to 40 pending assignments at a time; sometimes, as now in many areas, he may have as many as 80 or 90. These are not all "active" cases, of course. Some involve negotiations that merely have to be watched, through periodic telephone calls, once a week or more often. These "contact" assignments are usually made 30 days before a contract is to expire.

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• First Step—The mediator can step into the dispute, then, in any way or at any time he considers necessary. Generally, he limits his participation at first to advising the parties that he is ready and available to help them, and to briefings on progress in negotiations.

If it becomes necessary, the regional director may reinforce the local mediator in any of a number of ways—by assigning additional men to a particularly troubled situation, by "inviting" disputing parties to the regional office for more intensive mediation, or by a num-

ber of other devices. This is done as seldom as possible. The object is to keep mediation localized.

 Stress on Experience—The men in the local mediation offices—sometimes quartered in the mediator's home aren't bright young graduates from the good schools of industrial relations. The FMCS is one government agency that places emphasis on age and experience in hiring, rather than on a crew cut and strong college record.

Its minimum requirement for a mediator is six years of "progressively more responsible" experience in industrial relations and collective bargaining, following a "sound" educational background. Usually, the FMCS requires 12 years of experience instead of the minimum six. Its average new mediator is more than 40, and mature; it employs men 50 or over on occasion.

Of the present staff, about 36% had experience in unions, 32% in industry, and 18% in both unions and industry; the remainder, 14%, are listed as "provisional" appointments, men with strong, specialized backgrounds.

Of the 201, one is a PhD and at least a dozen hold faculty assignments (with FMCS sanction) for college and university night classes in industrial relations. All must undergo the toughest federal field security investigation.

• Not Civil Service—The mediators are not under civil service. They have a

starting salary of \$8,900 a year, for a one-year probationary term. Their salary then rises to \$10,000 or more. One-third of the staff now is paid about \$12,000 a year—a salary that requires a special merit rating.

Although their jobs are not protected by civil service, the mediators traditionally have enjoyed more job security than other government employees. The FMCS has one of the lowest employee turnover rates in the federal service. A mediator has a lifetime job.

The regional directors must be prepared to step in, fully prepared, if a dispute in any industry anywhere in their region flames into trouble. This means as much travel as the agency's budget permits and extensive reading of full reports required on a regular basis from each mediator.

These are much more than merely progress reports on disputes. They include basic material on the economy in each locality—and how it might affect bargaining—and on trends in negotiating and the emergence of new issues.

• Monthly Reports—The regional directors submit reports to Washington monthly—more often if special attention is focused on particular problems. One series of statistics is submitted on IBM-coded cards, so that Finnegan and his aides can get almost immediate information on trends and looming problems—on what are the key issues in

BUSINESS WEEK . Nov. 28, 1959

Labor 121

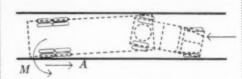


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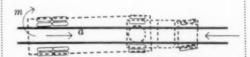
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unresolved disputes across the country, as an example.

The regional offices are sparsely staffed. By most Washington standards, so is FMCS. In addition to Finnegan, Deputy Director Robert Moore, General Counsel George E. Strong, and a half-dozen other top-level officers including Walter A. Maggiolo, director of mediation activity, the agency has a headquarters staff of about 40.

As Finnegan and his top aides see things, the agency's biggest problems are related: manpower and funds.

They consider the present law covering FMCS operations to be "basically sound," although they concede that minor changes could be made to strengthen the mediators' hands. For instance, they feel that a refusal to meet with federal mediators might be made an unfair labor practice under the Taft-Hartley Act, and that mediators should be given a statutory privilege to decline to testify on confidential matters before courts, special boards, or other investigatory bodies.

• Fear of Dilution—FMCS would be reluctant to ask Congress to try to revise the law covering its operations in any way, because of the possibility of unwanted changes that might "dilute or change mediation [or] disturb this basically sound process."

It has some problems due to conflicts with state mediation agencies. This has been true, particularly, in the auto industry. Employers who deal with the United Auto Workers in Michigan are notably reluctant to use FMCS in disputes—because Michigan mediators, appointees of a state administration friendly to UAW, will move in, too.

Generally, though, the FMCS believes that it has all the legal backing it needs to do an effective job.

Particularly, Finnegan and Moore do not want added powers—possibly the authority to require compulsory arbitration. They feel that added powers might "weaken or pervert" mediation, and cite examples from this and other countries in which mediation has been made an integral part of some other dispute-settling machinery—and too often is bypassed.

 Elasticity—For this reason, the FMCS administrators do not want to see stronger national emergency dispute machinery connected in any direct way with the Service. Now, as in the steel dispute, FMCS and Taft-Hartley board of inquiry activities can be related and coordinated-mediation can lead up to a public hearing by the board and then resume, in private and confidential talks, on the basis of what the public hearing might develop. But, in FMCS opinions, the Service should continue to be completely divorced-officiallyfrom boards of inquiry or other emergency dispute-settling agencies.

### **UAW Sidelines Reuther Critic**

Richard T. Gosser, one of union's four vice-presidents who frequently voiced his disapproval of UAW policies, loses organizing post and is asked to take six-month "rest."

An internal feud that has been smoldering for some time on Walter Reuther's top team flared into the open last week, revealing that all is not too solid in Solidarity House, headquarters of the United Auto Workers.

The dispute involves Reuther and one of four UAW vice-presidents, Richard T. Gosser, an individualist who came up through UAW ranks with Reuther and who operates much of the time out of a home base in Toledo

Gosser, whose major contracts in his Toledo bailiwick include rates considerably higher than those at General Motors, has been an increasingly vocal critic of Reuther and other top UAW officials. He blames them for settling with the auto industry last year for too small wage increases. But that is only one point of dissension.

• Probe Witness—Last spring, Gosser got involved—under pressure from Reuther—in New York City grand jury hearings when he (Gosser) signed a waiver of immunity and testified voluntarily in hearings probing alleged bribing of union officials. No findings were made by the grand jury, but the testimony and Gosser's personal records presented at that hearing were later turned over to the McClellan committee and were the basis for a brief investigation into UAW affairs in Toledo last

The inquiry was dropped after Democratic members of the committee charged the Republicans were out to smear Reuther and the union. But the criticism of Gosser's activities in Toledo a decade ago, plus his frequent blasts against UAW policies, have been a source of irritation to Reuther.

• Election Friction—At the recent UAW convention in Atlantic City, the bitterness between the two increased greatly as Gosser fought—successfully—for a \$2-a-month increase in UAW dues, although Reuther and Emil Mazey, UAW secretary-treasurer, wanted a \$2.50-a-month boost. Clashes between Reuther and Gosser occurred at the convention over other matters, and for a while Gosser threatened to withdraw from the Reuther caucus ticket and run for re-election as vice-president as an independent.

Gosser is regarded within the UAW as one of few top officers who will argue with Reuther at board meetings. In fact, one UAW vice-president told a caucus in Atlantic City that "the right

to disagree has virtually disappeared from this union."

• Loss of Power-Last week, Reuther took a step which Gosser's supporters feel might be the beginning of a plan to case him out of active participation in union councils. Reuther sent out an interoffice communication announcing that he personally was taking over direction of the union's Competitive Shop Dept., UAW's organizing arm.

Gosser had headed this department for more than eight years, and it was looked upon as one of his main sources of political strength within the union. He is now out of it entirely. Reuther will direct its operation, with the 70 field organizers who formerly worked directly under Gosser (100 a year ago) now assigned on a day-to-day basis to regional directors, under Reuther's over-all direction.

Although Reuther and the UAW describe the switch as merely a decentralization of organizing, most UAW sources interpret it otherwise. Gosser prefers not to discus its implications.

The scope of the change surprised Gosser. He said in Toledo that Reuther told him the organizers were being placed under regional directors, who in turn would remain under Gosser. But when the inter-office memo came out, Gosser found he had been cut out entirely.

• Forced Rest—At the same time, Reuther and the other top officers of the union asked Gosser to take six months off "for health reasons."

Gosser said recent physical examinations in Toledo showed he is in "pretty good shape," although he has suffered a series of ailments over the last few years, including heart attacks and more recently the gout. But he did not protest very vigorously against the leave. "After all," says Gosser, "when the guys you work for tell you to take six months off and rest up, what are you going to do?"

Gosser plans to rest until April, at which time he plans to meet again with Reuther and discuss his future.

• Uphill Fight—Gosser, who remains as director of eight other UAW departments, has indicated he will resist any attempt to ease him out of the union. But he knows it will be an uphill battle.

"After all, I helped Walter build his machine," he says, "and no one has beaten it vet. I'm not going to be the first." END

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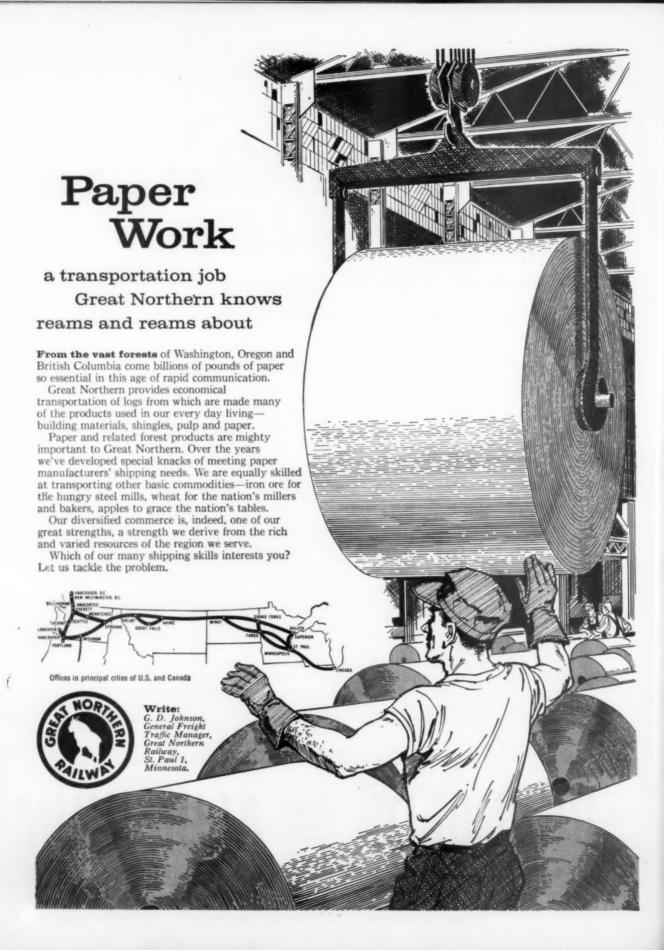
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### In Labor

#### C-of-L Index Climbs to Record 125.5%, Housing and Clothing Leading the Way

The Labor Dept.'s monthly cost-of-living index reached a new high of 125.5% of average 1947-49 prices in mid-October.

Prices edged up all along the line. Housing costs and clothing accounted for most of the over-all increase in the index. Average food costs rose a fraction.

Cost of	Living:	What	's Hap	pening	to It
	Total		1947-49 = 100		
	Cost of Living	Food	Clothing	Hove	sing
				Total	Bent Only
October, 1951	112.1	113.5	109.2	113.2	114.8
October, 1952	114.2	115.0	105.6	115.2	118.8
October, 1953	115.4	113.6	105.5	118.7	126.8
October, 1954	114.6	111.8	104.6	119.5	129.0
October, 1955	114.9	110.8	104.8	120.8	130.8
October, 1956	117.7	113.1	106.8	122.8	133.4
October, 1957	121.1	116.4	107.7	126.6	136.0
October, 1958	123.7	119.7	107.3	127.9	138.3
November	123.9	119.4	107.7	128.0	138.4
December	123.7	118.7	107.5	128.2	138.7
January, 1959	123.8	119.0	106.7	128.2	138.8
February	123.7	118.2	106.7	128.5	139.0
March	123.7	117.1	107.0	128.7	139.1
April '	123.9	117.6	107.0	128.7	139.3
May	124.0	117.7	107.3	128.8	139.3
June	124.5	118.9	107.3	128.9	139.5
July	124.9	119.4	107.5	129.0	139.6
August	124.8	118.3	108.0	129.3	139.8
September	125.2	118.7	109.0	129.7	140.0
Oct., 1959	125.5	118.4	108.4	130.1	140.4
Data: Dept. of I	labor, Eureau of	Lobor Statistic	a.		CONSINERS WEE

#### NLRB Takes First Action to Halt Picketing Barred by New Labor Law

The National Labor Relations Board last week cracked down for the first time under the Landrum-Griffin Act on what it termed "illegal picketing." L-G amendments to Taft-Hartley limiting organizational and recognition picketing went into effect Nov. 13 (BW—Nov.21'59,p47).

NLRB General Counsel Stuart Rothman ordered government attorneys to secure injunction orders to end picketing by the Teamsters in Alton, Ill., and by the Retail Clerks International Assn. in Dallas. Both unions were charged with illegal picketing under L-G.

In another L-G development, Labor Secy. James P. Mitchell granted unions a period of grace before they must comply with the complex bonding provisions of the new reform act. Mitchell said he interpreted the provisions of the act to mean that union officials did not need to be bonded until the start of a union's first fiscal year after Sept. 14, the date L-G went into effect.

The law requires all union officials and employees to be bonded if they handle funds of the union. Some union officials contend the law is so sweeping that even messengers and janitors will have to be bonded. Mitchell has promised to clear up this confusion by early next month.

#### Locomotive Engineers Set Vote, But Strike Can't Come Till February

The Brotherhood of Locomotive Engineers sent out a call for a strike vote this week. But there won't be any real strike action until February, at the earliest.

Delaying the decisive moment are several involved steps under the Railway Labor Act—the lapse of time for required mediation and for polling the railroad engineers. Guy L. Brown, chief of the operating rail union, however, told the union's general chairmen to "spread a strike ballot" because of the stalemate in current rail negotiations (BW—Sep.26'59,p157).

"If the railroads think we are kidding about our wage requests," Brown warned, "the strike vote will correct that impression." Wage talks between the union and rail management have been dragging since Sept. 16. The union is asking for a 12% hourly wage hike. The railroads have countered with a proposal for a 15¢ hourly pay slash.

# Hat Union Bargains With Itself As Company It Took Over Prospers

The United Hatters, Cap & Millinery Workers Union wears two hats—a management topper and a union cap—in Amesbury, Mass., where its members work in the union-owned Merrimac Hat Co., Inc. In effect, the union is sitting on both sides in negotiations to iron out a new labor contract. Alex Rose, international union president, is also chairman of Merrimac's board of directors.

The union's problem flows from its success as management. When the company fell on hard times (BW-Feb.14'59,p86), the union-faced with the possible liquidation of the hat company and the loss of work for its members—purchased a majority share in the company.

Now Merrimac is making money. It anticipates a \$200,000 profit this year compared with a \$300,000 deficit last year. The union members meanwhile are seeking a 9% wage hike, a retirement plan, and other benefits.

#### New Aide for Landrum-Griffin Law

Nelson M. Bortz, a government career man, was appointed last week to the newly created post of deputy assistant Labor Secretary for labor-management relations.

He will be one of the key men in enforcing and administering the Landrum-Griffin provisions on internal democracy and financial reporting.

Bortz, who has been with the Labor Dept. since 1935, will work under Assistant Labor Secy. John D. Gilhooley.

## Incomes Shrink on a Wide Front

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STATE	1953-55 AVERAGE	SEPTEMBER 1958	1959	1959	VS. YR. AGO
Alabama	\$286.4	\$370.9	\$391.5	\$378.5	+ 2.0%
Alaska	41.9	47.9	55.7	54.0	+12.7
Arizona	126.9	189.8	210.0	208.3	+ 9.7
Arkansas	153.5	178.5	200.1	190.0	+ 6.4
California	2,341.7	3,124.5	3,393.8	3,390.4	+ 8.5
Colorado	217.2	301.0	313.6	310.1	+ 3.0
Connecticut	440.7	566.3	599.7	608.9	+ 7.5
Delaware	78.6	105.1	113.1	115.0	+ 9.5
District of Columbia	158.2	185.2	193.9	193.9	+ 4.7
Florida	456.8	722.5	800.0	820.3	+13.5
Georgia	383.2	484.1	523.1	519.0	+ 7.2
Hawaii	76.0	98.6	102.1	103.3	+ 4.8
Idaha	74.5	93.2	99.2	95.6	+ 2.6
Illinois	1,677.5	2,051.2	2,208.5	2,189.7	+ 6.8
Indiana	663.5	777.4	833.4	827.7	+ 6.5
lowa	357.3	444.5	459.4	462.6	+ 4.1
Kansas	281.8	353.3	351.5	354.9	+ 0.5
Kentucky	307.1	369.8	366.4	364.8	- 1.4
Louisiana	318.3	407.0	428.7	421.7	+ 3.6
Maine	112.8	137.9	141.6	142.7	+ 3.5
	432.3	556.6	557.3	550.2	- 1.2
Maryland	799.8	1,005.0	1.053.0	1,060.9	+ 5.6
Michigan	1.234.1	1,390.7	1,539.8	1,549.4	+11.4
Minnesota	434.8	543.9	571.7	565.7	+ 4.0
Mississippi	160.9	186.0	212.1	194.8	+ 4.7
Missouri	600.9	734.2	767.9	762.3	+ 3.8
Montana	92.3	110.5	105.5	102.1	- 7.6
Nebraska	182.5	230.1	240.5	241.6	+ 5.0
Nevada	43.1	59.6	64.6	64.3	+ 7.9
New Hampshire	75.2	93.4	95.2	95.9	+ 2.7
New Jersey	982.9	1,235.4	1,302.1	1,300.1	+ 5.9
New Mexico	91.8	132.1	133.9	133.1	+ 0.8
New York	2,887.9	3,539.8	3,656.8	3,642.8	+ 2.9
North Carolina	429.0	534.4	566.2	536.8	+ 0.4
North Dakota	67.4	92.4	85.6	82.7	-10.5
Ohio	1,476.3	1,731.2	1.893.4	1.874.9	+ 8.3
Oklahoma	268.5	334.0	333.2	331.5	- 0.8
Oregon	249.8	295.8	318.7	316.6	+ 7.0
Pennsylvania	1,678.6	1,997.0	2,054.0	1,998.8	+ 0.1
Rhode Island	129.9	147.7	158.4	159.4	+ 7.9
South Carolina	210.0	241.9	260.5	248.6	+ 2.8
South Dakota		94.8	92.8	90.1	- 5.0
Tennessee		428.6	449.8	448.3	+ 4.6
Texas		1,429.2	1,473.5	1,459:7	+ 2.1
Utah		126.9	136.3	128.3	+ 1.1
Vermont	45.9	54.9	59.6	59.3	+ 8.0
Virginia		561.7	571.3	571.9	+ 1.8
Washington			525.5	521.1	+ 3.3
West Virginia		257.4	258.6	261.9	+ 1.7
Wisconsin		636.4	671.4	673.9	+ 5.9
				an equation of the cold	
Wyoming	45.9	54.8	55.8	52.9	- 3.5

Steel Strike, Farm Slump Cut Into Nation's Income

The shadows of the steel dispute and the slump in farm prices spread wider and deeper across the nation in September. According to BUSINESS WEER'S Measure of Personal Income, 35 states reported thinner pocketbooks from August to September. Monthly losses dipped as low as 8.2% in Mississippi, although the national total dropped only 0.7%.

Layoffs mounted in metalworking and construction as a result of dwindling steel inventories and in railroads as shipments to and from steel mills were curtailed. But other influences came into play as well. Homebuilding subsided. Road construction slowed down. And farmers were reeling from one of the worst periods in 20 years.

• Farmers' Plight—Several factors combined to make things tough for the farmer in the past few months. Farmers harvested smaller crops of wheat and small feed grains. Realized gross farm income in the third quarter, at a seasonally adjusted annual rate, was 7.6% below the same period last year. But the big slump showed up in realized net farm income (gross, less farm production expenses), which dropped more than 28% below 1958 and was the lowest quarterly figure recorded since 1942. This occurred because the farmer paid more for what he bought and got less for what he sold. And he was no longer getting acreage reserve payments for the crops he didn't grow. • Year-to-Year Gains—In the year-to-year analysis, U.S. incomes rose only 4.9% over September, 1958, the smallest yearly gain since last October.

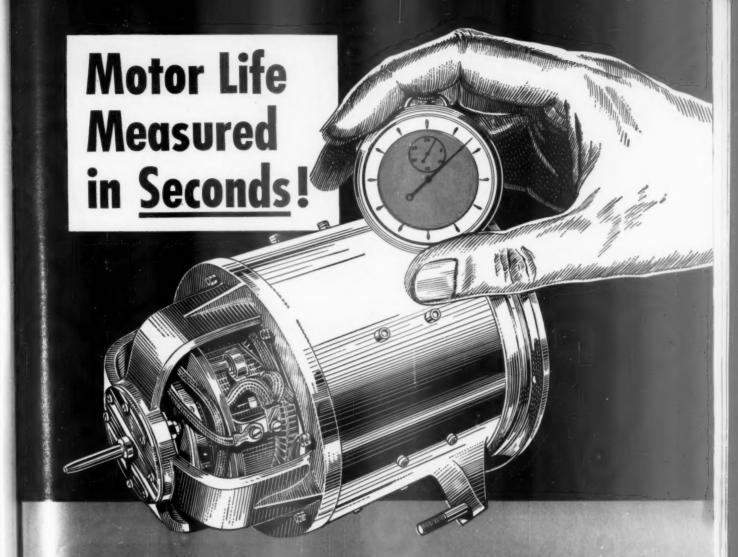
Florida led the pack in September with an impressive 13.5% gain over the year before. Untouched by the problems besetting most other states, Florida's employment rolls swelled by 79,000 jobs over September, 1958.

Other big gainers included Alaska, up 12.7%; Arizona, up 9.7%; Michigan, up 11.4% (most auto makers had sufficient steel on hand to keep 1960 model output at a high level through September); and Delaware, up 9.5%.

The biggest losers were North Dakota (-10.5%), Montana (-7.6%), South Dakota (-5%) and Wyoming (-3.5%). Their losses reflect the depressed situation in wheat,

For a look at one state, Tennessee, please turn to page 130.

September figures preliminary, August 1959 and September 1958 revised.



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### Industrial Growth, but Not The Most Profitable Kind

For years, personal income in the Southeast has grown faster than the national average. The region's new industries pushed manufacturing past agriculture as the leading source of wealth. This trend to industrialization is still going qn, as it is in the Southwest and the West.

But any impression that the entire Southeast is prospering equally is wrong. Figures for the region have been distorted by the boom in Florida. Much more typical of a large part of the region is a state such as Tennessee.

• Growing, but Slower—Tennessee has been growing, to be sure, and manufacturing long ago outstripped both trade and farming as sources of income. But Tennessee's income actually has been expanding more slowly than that of the nation as a whole. From 1950 to 1958, Tennessee's income grew 52%, compared with 58% for the U.S. And in recent months, BUSINESS WEEK'S Measure of Personal Income (chart) shows Tennessee still trailing the U.S. growth curve.

It's the popular impression that the whole Southeast has been turning into an industrial Eden, and it is true that Tennessee has been steadily industrializing. But Tennessee's growth over-all, as the figures show, has been less than

ideal. It has been held down, in total income and employment, by what has been happening in nonmanufacturing fields and by the nature of the industry the state is getting—much of it seasonal, low-paying, or low-employing.

• Vanishing Farmhand—Of primary importance is what has occurred in agriculture and its impact on population. A study by Robert S. Hutchison of the University of Tennessee shows that Southeastern farms were slow in becoming mechanized, but once mechanization began in recent years, it was carried out rapidly.

The climination of jobs by machines has hastened the outmigration of tenant farmers and sharecroppers from the easy-to-mechanize cotton and corn farms of western Tennessee. Total farm income may have remained relatively stable—it only fluctuated between \$283-million and \$352-million in the last five years—but fewer people were employed in farming.

This outmigration has held Tennessee's population growth since 1950 down to about 5%, compared with more than 17% for the country as a whole. And, Hutchison notes, it is significant that outmigration continued even during last year's recession. Experience during previous recessions had



1953-55 Average of Total Personal Income = 100



been that people stopped leaving Tennessee for jobs elsewhere, while former Tennesseeans actually would return home when they were laid off. During the last recession, for reasons that still are not quite clear, outmigration did not drop off much.

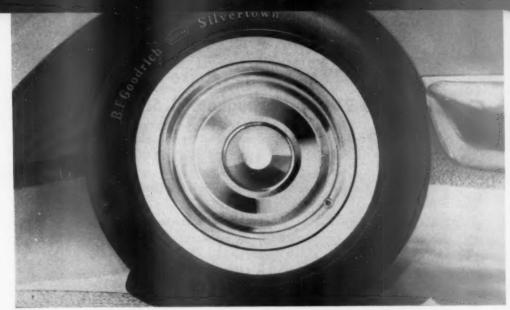
• Construction Down—As important if not as fundamental as the outmigration of farm workers has been the decline of construction employment. During a



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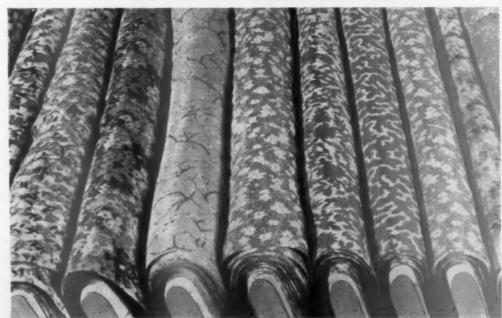
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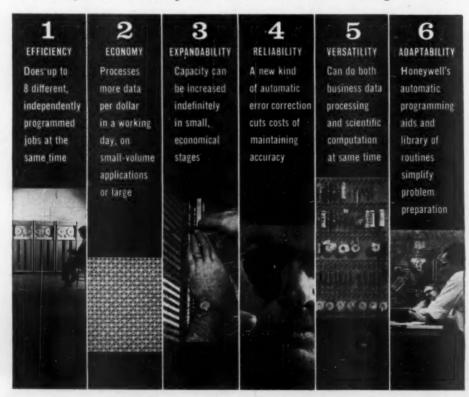
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period when the country as a whole has had phenomenal years of homebuilding, plant construction, and public works, Tennessee's construction employment actually has gone down. From a peak annual average of 53,000 in 1954, it dropped to 41,000 last year.

The decline in construction jobs particularly meaningful because construction workers are paid well—is largely attributable to one cause: the slowdown of expansion at the government's Oak Ridge atomic energy plants, operated by Union Carbide Corp.

At Oak Ridge alone, construction employment hit a postwar peak of 6,000 in 1948-49. As recently as 1952, a \$465-million construction contract was awarded there—more than all other contracts in the state combined—but it was unable to push construction employment back to the 6,000 peak. Today only 1,000 workers are working at Oak Ridge on construction.

In contrast, Union Carbide's employment of production workers there has remained reasonably stable. It's close

to 14,000 now.

• Coming Up Again—Since bottoming out last year, construction employment has been rising slightly. Much of the revival has been stimulated by industrial expansion. A glance at the kind of plants that are under construction is illuminating. It reveals the changed industrial mix of the state, explaining why the substantial industrial growth in the state is not all it appears to be.

The greatest volume of construction industry, in industry that has been enlarging plant capacity in Tennessee for years and that long ago replaced textiles as

the leading employer.

In the state's northeast corner, Tennessee Eastman Co. is building a plant to make 20-million lb. a year of its polyester fiber, Kodel. And at Old Hickory, outside Nashville, du Pont is building plants to make its comparable fiber, Dacron, and feedstock for Dacron.

But the chemical business employs few people in relation to dollars invested in plant and equipment. New plants such as those now under way may require a few more workers than older units do, but that doesn't necessarily imply a gain in total employment. Increased efficiency at a company's existing plants could offset the small additional labor requirements of new facilities. In consequence, chemical employment in Tennessee has grown only from 38,000 to 43,000 in the, last decade. But in chemicals any gain is welcome, because the pay is good.

• Garment Industry—Close to the chemical industry as a leading employer in Tennessee is the apparel industry, whose employment has soared to 41,000. During the last 10 years, apparel's addition of 18,000 workers has

been the largest gain of any industry.

A vast number of new plants have been established, notably in work clothes and men's shirts. But they have not been a total blessing. Apparel is a low-paying industry, employs a high ratio of women.

Moreover, apparel is a seasonal industry-giving the state new seasonal bulges

in unemployment.

Other Expansion—Some other industrial expansion is going on, such as the Tennessee River Pulp & Paper mill near Savannah, Central Soya's expansion at Chattanooga, Gates Rubber Co.'s enlargement of a Nashville plant that it just opened, and new glass works of Ford Motor Co. in Nashville and American-St. Gobain Corp. near Kingsport.

• Ups and Downs—At the same time, mechanization has been taking its toll in textile employment, depletion of Tennessee's timber stands has brought reduced employment in lumber, and Ford has closed its old assembly plant

at Memphis.

The effect of the pluses and minuses in manufacturing has been a net gain in manufacturing employment over the years. But their interplay has created oddities:

 The decline in construction while apparel has gained brings in lowpaying jobs as a substitute for high-

aving ones.

• Women have found work at a time when men have had to leave the

state to make a living.

 In a state where seasonal agriculture has been an influential force on the economy, the seasonal apparel industry has been the fastest-growing ma-

These varied factors, combined with the long-term decline in textile employment and the cutbacks at Aluminum Co. of America and other metal plants, caused Tennessee to suffer greater and longer unemployment during the 1958 recession than did the nation as a whole. Not until September did its total non-farm employment recover pre-recession heights, and manufacturing employment was still a hair short of the old peak.

• In the Long Run—The long-term outlook for manufacturing employment still is good. Geography still serves Tennessee well. The state is a point for producing consumer goods for the region, apparel and shoes for a greater area, and raw materials for nearby textile mills.

Memphis this year began operation of its new municipal generating station, assuring new industries of ample power for the first time since the city's contract with the Tennessee Valley Au-

thority expired.

Of the four major cities in Tennessee, Memphis depends least on industry, and it hardly felt Ford's assembly plant closing. It goes up and down with



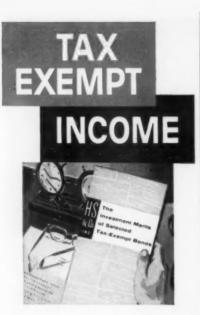
TEXTILES, formerly the state's leading employer, now ranks third, displaced by the chemical and garment industries.



NAVIGATION on the Tennessee River is improved by this month's opening of a new lock at Muscle Shoals, Ala.

the fortunes of the tri-state farm area it serves. This year, with a big cotton crop being harvested, Memphis is riding high

TVA is expanding power capacity. "TVA's power is cheap for big industrial users, but for political or corporate reasons, some companies prefer to generate their own." This month, TVA opened a new lock at Muscle Shoals, Ala., that eliminates a bottleneck for navigation. This should help industry on the upper Tennessee River. END



#### Here's a helpful guide to tax-free investing

A knowledge of tax-exempt bonds is increasingly important to sound investment in today's market, for these obligations have merits applicable to virtually any portfolio. Foremost, of course, is their exemption from federal income taxes. But beyond this there are advantages sometimes overlooked, among them time-proved safety, dependable yield and ever widening marketability.

These advantages and other qualities of tax-exempts are among the features discussed in our timely booklet, The Investment Merits of Selected Tax-Exempt Bonds. You will find it informative and helpful in your investment thinking. Send for it, without cost or obligation. Ask for BJ-11-9.

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#### **NEW PRODUCTS**

### Anti-Smog Auto Engine Is Tested

Two new weapons are being tested in the fight against air pollution from automotive exhausts.

One is a new kind of motor developed by Ralph Heintz, retired partner in Jack & Heintz, Inc., now undergoing tests in the Stanford University mechanical engineering laboratories. Heintz modified an old 8-cylinder motor to make what he calls a "stratified-charge" engine

• Two Chambers—Combustion takes place in two chambers instead of just one—a small precombustion chamber that fits into the spark plug well, and the main firing chamber. The system pumps fuel and air into the small chamber for light and medium loads, and into both chambers for heavier loads. A spark plug ignites the mixture in the smaller chamber, from which it explodes into the larger one. The mixture has a good deal more air than the fuel-rich mixture of most gasoline engines; in this respect the system resembles a diesel.

The result, according to Stanford, is more complete combustion in the presence of plenty of oxygen. In lab tests simulating normal driving conditions, the unburned exhaust hydrocarbons were less than 2% of the fuel supplied. In ordinary cars the figure is 5% or more. The system also provides 15% better fuel economy.

Further development is expected to reduce the percentage of exhaust hydrocarbons further, and also lower the noise level, which is now higher than in conventional engines. Stanford says the system can be adapted to almost any gasoline motor.

• Fuel Additive—The second anti-smog weapon is an English diesel fuel additive called Vitasul. Vigzol Oil Co., London, the manufacturer, says it both deodorizes the fuel and neutralizes harmful traces of sulphur in it. Greater fuel economy is also claimed. Fuel additives previously have not been so effective in combating auto smog as other means.

Vitasul is being imported by International Trade Development Corp., Fort Lauderdale, Fla. It's mixed with fuel at a ratio of 1:150 and costs a maximum of \$2.72 per gal., depending on customs duty.

### New Way to Measure Fabric Wrinkles

The textile industry no longer has to depend on its eyesight to determine the wrinkle resistance of wash-and-wear fabrics right after they have been washed. An electronic machine, developed by the Sanforized Div. of Cluett, Peabody & Co., now does a thoroughly scientific job of evaluating the smoothness of these fabrics.

Cluett, Peabody plans to lease the machine to its Sanforized licensees as the basis for a new quality control program called Sanforized Plus. Shirts and other garments bearing this label not only will be guaranteed against excess shrinkage, but also will be rated for minimum wrinkling after washing.

Before the development of this "smoothness evaluator," a fabric's wrinkling qualities could be tested only by human eyes.

• How It Works—The machine casts a beam of light across a fabric wrapped loosely around a cylinder. Its wrinkles are projected as shadows onto photoelectric cells that put out voltages that vary with the height and shape of the shadows—the roughness of the wrinkled fabric

An analog computer translates these voltages into new readings according to a mathematical formula and accumulates them as different sections of

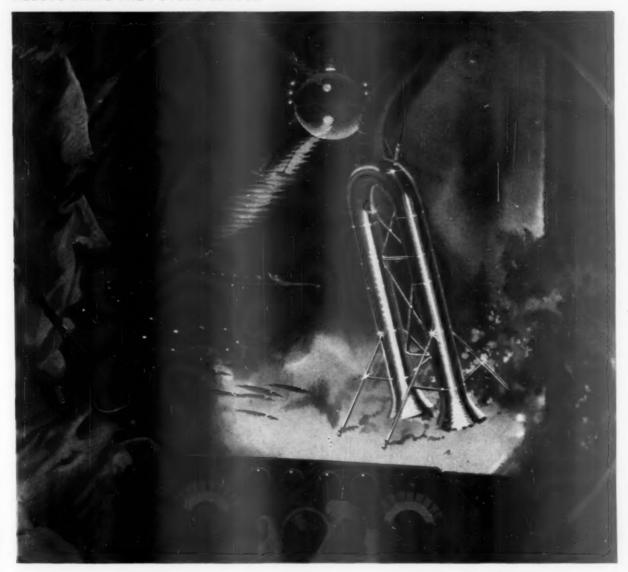
the fabric are tested. Then the process is repeated with the fabric pulled taut, to obtain a reading for its natural roughness (twill, for instance, is rougher than broadcloth). This second reading is subtracted from the first by the computer, leaving a reading for the wrinkles alone.

The computer makes the appearance value approximate what the eye-actually a panel of human observers, to get an average—sees when viewing the fabric under tangential light.

• Arbitrary Scale—The number scale for these readings is arbitrary, but Sanforized officials say a reading of 18 or less will probably be required for the Sanforized Plus trade-mark. This does not guarantee that no ironing will be needed—but a fabric that qualifies will have far fewer wrinkles than a fabric with a higher reading.

The program requires a standard wash procedure so that a piece of fabric will always show approximately the same reading after different washings. A mill using the program will have to test its fabric after every few thousand yards. It takes about five minutes to complete a test on one piece.

The machine is valued at about \$6,000. Its leasing price has not been revealed.



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### INTERNATIONAL OUTLOOK

BUSINESS WEEK NOV. 28, 1959



State and Treasury Depts. are battling about foreign aid-over the amount the Administration should request from Congress next year. The assumption is that Congress will cut appropriations well below that figure.

Secy. of Treasury Anderson wants to drop considerably under last year's \$3.9-billion request. That way he would have a better chance to balance the U.S. budget and to get our balance-of-payments deficit trimmed down.

Under Secy. of State Dillon is fighting to keep foreign aid spending at least at current levels. Since the pipeline for military aid is nearly exhausted, this would require a bigger military appropriation than last year's. Dillon also feels that economic aid must be maintained if we are to meet the critical needs of the underdeveloped countries.

The aid battle probably will be settled before Pres. Eisenhower leaves on his world tour. At midweek the outcome was uncertain.

On the one hand, Eisenhower shares Anderson's worry about the balance of payments; on the issue of "tied aid" he has backed the Treasury view. But he also understands Dillon's concern over the political losses we might suffer if foreign aid is cut very much.

Western Europe's split into two trading groups—the six-nation Common Market and the Outer Seven-became official last week. The Outer Seven, led by Britain and Sweden, initialed an agreement in Stockholm forming a European Free Trade Association (EFTA).

Sweden is talking up its position as a leader of EFTA—and not taking a back seat to the British. (Britain indirectly started EFTA by its abortive attempt last year to form a Europe-wide free trade area.)

Sweden's view now: EFTA originally was meant as leverage to pressure Common Market members into setting up a broader "economic union." But EFTA no longer is just a negotiating weapon. The new grouping of some 90-million people—say top Swedish officials—can bring economic benefits to members on its own merit.

Sweden doesn't expect any quick reconciliation between the Six and Seven. It puts the blame on France for the present rift. But it believes that in the long run-maybe two to four years-the Six and Seven will link up.

The U.S.—on the sidelines so far-may become more directly involved in efforts to heal the European rift. At least, some Paris observers think Washington's participation in Six-and-Seven talks would be the key to any real solution. Jean Monnet, exponent of a "United Europe," is pushing a scheme along these lines.

Foreign trucks—as well as foreign cars—are beginning to crash the U. S.-market. Truck imports are running at 30,000 units annually, up from. almost nothing two years ago. Many West European producers say they are scrambling to complete market studies here before settling down to a hard sales campaign.

Main type of vehicle to be sold is the light pickup truck—though several European producers are eyeing possible sales of heavy-duty trucks. West 139

### INTERNATIONAL OUTLOOK (Continued)

BUSINESS WEEK NOV. 28, 1959 German producers already have a foothold here—for instance, Volkswagen and Vidal & Sohn Tempo-Werk (Tempo and Matador trucks). Daimler-Benz also is selling Mercedes buses here. Then, France's Renault is coming in with its Estafette truck. Sweden's Volvo, too, is adding trucks to its exports of cars.

Detroit's Big Three are gearing up—both here and abroad—to meet this competition. Ford of England (now beginning a \$140-million expansion program) has been selling its Thames trucks in the U.S. More significant, the Big Three are planning to launch "compact" trucks on the market soon.

You can expect to see even more U.S. businessmen touring Russia during the next two years. The new U.S.-Soviet agreement on cultural exchanges, signed last week, calls for a step up in two-way visits by industrial and technical delegations.

The agreement specifies a wide range of industries to be open for inspection: automobiles, aluminum, shipping, airlines, railroads, highway construction, oil, and liquefied natural gas. It also mentions visits on both sides to study retail and wholesale selling methods. One offbeat provision in the agreement: U.S. study of Soviet management methods—and problems—matched by Soviet study of U.S. refrigeration techniques.

Still on the fire: Continuing negotiations for direct commercial airline traffic between the U.S. and the Soviet Union.

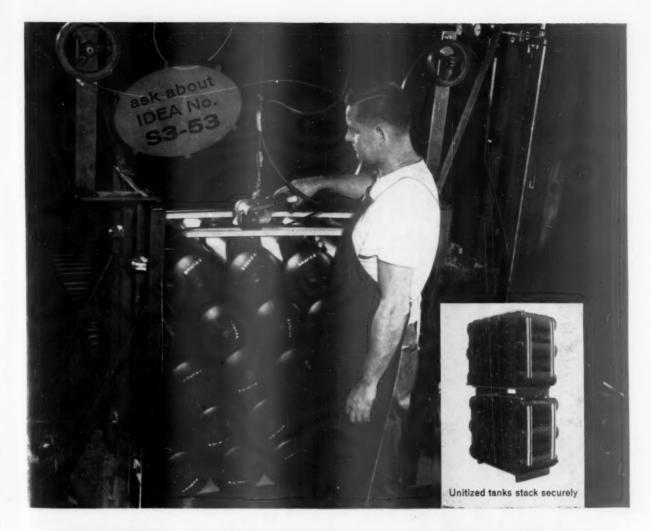
In Mexico, Soviet Deputy Premier Mikoyan has been offering up more than pretty propaganda speeches. He has made a four-day trip around the country, mostly to inspect installations of Pemex, the government-run oil company. Mikoyan's reported offer: Long term credits for Mexican purchases of turbo drills and other oil equipment, and for construction of an entire "petrochemical city."

Pemex, already getting help from U.S. and West European banks, is likely to study—but reject—any Soviet offers. Besides, Russia is shopping in the U.S. and Europe for the very kind of petrochemical equipment it supposedly is offering Mexico.

A Big Four summit meeting may not come off—despite all the planning to date. That's London's gloomy forecast at the moment.

Here's the reasoning: Recent talks between London, on the one hand, and Paris and Bonn, on the other, have improved relations within the Western alliance. London has even accepted Bonn's position that nothing can be done on Berlin at the summit until there's some agreement on German reunification. But that position is totally unacceptable to Soviet Premier Khrushchev.

More important, the diplomatic momentum toward a summit meeting is running out of steam. The date is more distant than ever—late April at the earliest. Thus, there will be a series of below-the-summit conferences—Pres. Eisenhower's talks in Paris next month, Khrushchev's visit with Pres. de Gaulle—but possibly no top-level summit.



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Call or write: Dept. BGS-119, Acme Steel Products Division, Acme Steel Company, Chicago 27, Illinois. In Canada, Acme Steel Company of Canada, Limited, 743 Warden Ave., Toronto 13, Ontario.





What is the best way to air condition a massively-built, 20-story, 49-year-old building? Syska and Hennessy, consulting engineers for the Guardian Life Insurance Company, New York, studied dozens of solutions to the problem, came to the conclusion that packaged air conditioners would not only cost less to install and operate, but save valuable floor space in the bargain. Mance Corporation, the mechanical contractor, ordered Carrier Weathermakers, the only units so compact that they could be rigged through the windows. Thus it was that in less Architects: Skudobe, Owings & Merrill

than four months last summer the entire 500-ton system was installed without major alteration or interruption to 600 busy employees. Guardian Life management is already counting its blessings. Morale is up. 3750 man-hours a year lost to hot weather by forced closings have been regained. And owning and operating costs, based on 15-year amortization, are only 1.1% of the annual payroll. Are you interested in such benefits for your older building? Call the Carrier Dealer listed in the Yellow Pages. Or write Carrier Corporation, Syracuse 1, N. Y.



#### FINANCE

## Dividends Still To Set Record

- The old 1957 mark will fall, despite the direct and indirect effects of the steel strike on earnings.
- Most corporate treasurers say their companies will try to maintain their regular rates of payout. But yearend extras will suffer.
- Even steel was ahead of 1958 in dividends through October, so the year as a whole can't be too bad.

Earlier this year, it seemed a pretty safe bet that corporate dividends would his a new peak in 1959. The old mark of \$12.5-billion registered in 1957 looked certain to be toppled; most financial men, in fact, reckoned that \$14-billion would not be hard to hit.

Now the impact of the prolonged steel strike on over-all corporate earnings has upset the earlier optimism. While the steel companies are hit the hardest, many analysts fear the strike will mean drastic cuts in dividends in a wide range of corporations. That's the chief reason, they say, the stock market is slumping.

However, a BUSINESS WEEK SURVEY of corporate treasurers this week indicates that there will not be a big change from the earlier predictions. Judged by the survey, 1959 should still hit a record. Dividends probably won't reach \$14-billion, but they should go up to at least \$13.3-billion, perhaps even to \$13.5-billion.

• Even a Bit Extra-The strike has made some companies cautious about raising dividends, but many others report that the long shutdown won't sidetrack their plans for payout.

"We don't change our rates on whim," says a diversified maker of tools and equipment. "We may have been a little hurt by the shutdown, but we're keeping our regular rates, and may even raise them a bit this quarter.'

Companies have been acting according to this view. Ford Motor Co. voted 60¢ extra on top of its 60¢ quarterly payment. Eastman Kodak increased its dividend from 37¢ to 45¢ and handed out an extra of 24¢ a share. Pullman, Inc., declared a \$1 extra on top of its regular 75¢ quarterly dividend; it paid no yearend extra in 1958. Amalgamated Sugar Co. increased its quarterly dividend from 50¢ to 60¢ and declared a special dividend of 50¢; it paid a 25¢ extra last year. Shell Oil increased its quarterly dividends 5¢ to 55¢. Sears, Roebuck voted a 25¢ extra.

A few companies also point out that they're paying less attention to the percentage of earnings they pay outand more to the ratio between dividend payments and the total cash flow.

"We try to keep this percentage of dividends to cash flow at about 30% or so," says one small electronics maker, "and so long as we have a heavy flow of depreciation we'll keep our rates steady, if not higher.'

· Cuts Coming-Still, the rest of the vear doesn't look as promising as before the steel strike. Some companies won't pay extras they had planned. Others have put off proposed dividend hikes. And aside from the strike's direct impact on earnings, many managements feel that, until a new steel wage contract has been reached, they won't be able to measure their rates of operation well enough to go ahead with dividend

Most of the slash in expected pavouts will show up as a cut in yearend extras. (December is the banner month for dividends, accounting normally for 20% of the year's total.) Before the strike, it seemed probable that management would be extremely generous in granting extras; corporations were flush with cash, and they preferred handing out extras rather than boosting their regular rates to levels they might not be able to maintain.

For a number of companies, this thinking has changed. One treasurer, whose company is close to steel, says: "It's out of the question now for us to pay any extras. We're going to need our cash reserve to build up inventories. And remember, the strike still is hanging over our heads."

Others say they're going to substitute stock dividends for the cash extras they may have planned. Among those companies paying stock dividends recently were Bendix Aviation, Martin Co., and National Cash Register.

 Some Already—Dividend reductions, moreover, are taking a toll in some industries-although still a minor one. · Day Mines, Inc., postponed dividend action "until the present abnormal circumstances in the mining industry reverts to near normalcy." T company paid 10¢ a share last June.

· Hewitt-Robins, Inc., a rubber products maker, lowered its quarterly dividend from 50¢ to 25¢. As reasons for the action, Chmn. Thomas Robins, Jr., cited the uncertainty resulting from the steel strike and a plant changeover,

· Brown Co., a wood pulp producer, voted not to declare payments this December, primarily because thirdquarter earnings were not up to expectations. Previous payments on Brown common this year were 15¢ in June and September and 2% in stock in March.

· Slowing Down-These company actions show that a good deal of this change in dividend thinking comes from sheer disappointment about earnings. Moody's Investors Service feels earnings this year may run around \$11 a share instead of the \$11.25 or \$11.50 that it had predicted for its 125 industrial stocks. On this basis, it predicts that the dividend rate for its industrials should reach an average of \$6.00 to \$6.10 a share, rather than the \$6.30 it had predicted earlier.

The impact of an earnings slowdown on dividends is reflected also in Standard & Poor's figures. In October, for example, they show that only 116 companies voted extras, compared with 103 last October-one of the smallest yearto-vear increases in 1959.

Moreover, cash payments in October amounted to \$833-million, and while this was the highest for any October in history, according to the Dept. of Commerce, it was only \$13-million above October, 1958.

· Still Increases-Despite this slowdown, the October record boosted 10month totals of payouts to \$9.9-billion, some 41% above the corresponding figure of a year ago. Payments by manufacturing corporations, which represent about half of the all-industry total, were 3% higher this year than in January-October, 1958. In this period, companies in finance, communications and utilities put on the best dividend performance, with advances also chalked up by others in non-durable goodsoil refining, chemicals, and beverages.

Limited increases also came from machinery, autos, and iron and steel, while cuts were reported for the transportation equipment and nonferrous

metal industries.

· Steel Payout-Many of these indus-

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November 18, 1959.

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... any slowdown in dividends this year very likely will be made up next year ...

(STORY on page 143)

tries will sail along in the same fashion they have this year. This is true even for steelmakers.

"Lots of us paid dividends in the recession when we didn't earn it," says one steelmaker, "and we'll pay our regular dividend now, too."

There's even trade gossip—not justified, say Wall Street analysts—that a few steelmakers will increase dividends this quarter. But there is vagueness as to which ones.

However, the steels won't pay the lush extras that were once expected of them. "It would be ridiculous," a steelman says. "Our earnings don't justify it, and it would be a political football."
• Sick Rails—The rails will suffer even more, particularly those whose business relies on steel shipments. (But of those, the Pennsylvania, which showed a third-quarter loss, voted a 25¢ dividend—mostly to keep its dividend-paying tradition alive.)

The Western roads, says Ralph Ladden of Moody's, will be in pretty good shape because their business is diversified. "They've been hurt a little by the strike, but earnings and dividends still look good," he says. The Eastern roads are in tougher straits, though. Ladden feels that not only will they have to omit dividends this year but also that the strike has helped destroy dividend prospects for next year, and perhaps longer in several cases.

Class I rails paid \$372.9-million last year, according to Moody's. For the first eight months of 1959, payments were nearly 11% higher, but the pace has slowed. August's dividends were some \$5-million below August, 1958. And some rail analysts say the rails now will only top last year's mark by about 8%, compared with the 15% increase that had tossed about early in the year. They believe that such rails as Illinois Central and Baltimore & Ohio have had to revise their dividend thinking because of the steel strike and lower earnings.

• Good 1960—Any slowdown in dividends this year very likely will be made up next year—if business turns up as expected after the steel negotiations are finally settled. Standard & Poor's feels that dividends could go 10% higher in 1960. Others say that even this figure is too low. They reason that not only will there be record earnings to justify a big increase in dividends, but that management will be under pressure to pay out the extras they held back this year. END

DH-01

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\*Latest annual registration count by R. L. Polk & Co. shows 45.12% of sales to fleet buyers of 20 or more units were Chevrolets—nearly half again as many as the second-choice fleet car.

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November 18, 1959.

### Why is it that the really busiest men always seem to have the most time to read?

Not long ago, we talked with the president of a huge international organization. He confessed to being an ardent reader of a certain McGraw-Hill magazine.

"When in the world do you ever find time to read it?" we asked him. "Why, it's right here in my briefcase," he said.

This shouldn't startle you. Important men make time to read their own McGraw-Hill publication. They know success and specialized knowledge are bedfellows.

How well are you reading this, your own magazine? Are you a "skimmer" or a bonafide reader? How about others in your department? When you're finished reading, pass your issue along, with this particular page opened . . .

Men who read more . . . earn more!

### Bid for Savings

Treasury has broad program to hold the small investor, with tax deferrals and chance for more attractive yields.

The Treasury, which began wooing the public with its magic 5% notes, took another step this week to hold on to the small investor: It announced a broad new plan aimed at stopping the cash-in drain on savings bonds.

The main feature provides income tax deferral for holders of E bonds, and unmatured F and J bonds-which no longer are sold-if the bonds are turned in for H bonds. Holders of E bonds-the most popular series, with \$37.7-billion outstanding-can switch into H bonds which pay interest every six months. The interest rate on both series is 34%, but holders of E bonds now have to wait for their bonds to reach maturity before they can collect full accrued interest. Under the new ruling, E-bond holders will not have to pay taxes on their accrued E-bond interest until they cash in their new H bonds, although interest on the H bonds is taxable when paid.

The Treasury also invites holders of \$1.6-billion of F and G bonds, issued in 1948 and maturing next year, to exchange them before Nov. 30 for the new 41% Treasury notes maturing in 1964. The bonds pay 2½% interest annually, and they may be exchanged on a basis which eventually will give holders an annual vield of 4.81%.

Both measures are designed to stop the increasing cash drain coming from redemptions of savings bonds. Sales of series E and H savings bonds, whose rates were hiked to 31% only last September, bounced up to a six-month peak of \$358-million in October, after hitting a seven-year low of \$299million the month before. But cash-ins at \$495-million continued high. For the first 10 months of 1959, cash-ins totaled \$47-billion-or a net drain of \$1.1-billion on the E-bond program.

The Treasury feared a similar outflow if it allowed its F and G bonds to mature; it made its offer in order to keep holders from being lured by other forms of investment.

The new moves are not expected to attract many new investors, who are now extremely rate conscious. The Treasury has authority to hike its savings bond rate to 41%, but it has chosen not to do so, mostly because it feels it would be encouraging a shift from other savings rather than creating any new savings. But it hopes its moves will slow down the drain from its savings bonds. END

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The American Road Builders' Association is a non-profit organization whose basic objective is to see that the nation's highways and airport facilities keep pace with our rapid growth. Its diverse membership includes state and local highway officials, educators, highway contractors, engineering firms, manufacturers and service groups concerned with highway construction.

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For the employees of member units the Association maintains a benefits program that includes a Group Life Insurance Plan from New York Life. Primary purpose of this insurance is to assure an employee's family of having emergency funds in the event of his death.

New York Life Group Plans are now in operation in many trade and professional association groups in the United States and Canada. Like The American Road Builders' Association, they find that a flexible, easy-to-administer New York Life Group Insurance Plan is an attractive additional service to be offered to member firms. To find out how a similar custom-made plan can be made part of your employee benefits program, call your agent, broker or write direct:

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of the sound that strikes them, mount easily into inexpensive

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Johns-Manville Panelglas forms a smooth and attractive ceiling that soaks up as much as 90% of the sound that strikes it. It comes in units 2' x 2' and 2' x 4' which are unusually light and fit easily and quickly into suspended grid systems. They can be readily removed for access to overhead fixtures.

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JOHNS-MANVILLE



## In Finance

## Allstate Seeks Auto Insurance Deal With Ford Motor Credit Co.

Allstate Insurance, the nation's second largest auto insurer (BW-Jul.11'59,p76) this week revealed two more

expansion plans:

• It is increasing its reinsurance of policies written by other companies. Such sharing of liability on major risks is a specialized, and frequently highly profitable, insurance line. Allstate already is reinsuring risks in the U.S., Great Britain, France, West Germany, the Netherlands, and Mexico, now plans to market its reinsurance

service aggressively.

ks

• Allstate is dickering with the Ford Motor Co. for a portion of the insurance business generated by Ford's new sales finance subsidiary, the Ford Motor Credit Co. The companies won't say how much of this business Allstate might get, but observers note that Charles H. Kellstadt, president of Allstate's parent, Sears, Roebuck & Co., and an Allstate director, is also a director of Ford. Moreover, Allstate is the only insurance company specifically recommended by Ford to insure vehicles sold under its fleet leasing plan.

### Bank of Canada's Governor Defends Tight Money, High Interest Rates

James E. Coyne, governor of the Bank of Canada, said last week that he intends to keep money tight, and interest rates high, for a long time to come. In his first public statement on money policy since last spring, he disputed the widespread notion that the Canadian bond market had broken down under the impact of tight money. He said that recent successes in Canadian government financing demonstrated that "at realistic interest rates"—in this case 5½% on a three-year government bond—there is still investor demand for bonds.

Coyne said that in his judgment "we have entered upon a long period of interest rates higher than those which were prevalent in North America in the depressed Thirties, the wartime Forties, and the early postwar period. ." He added that any period of declining interest rates in the future is likely to be "short" and that in future recessions, reductions in the demand for

capital should be only "moderate."

### Economists Say Mortgage Money in '60 Will Fall Short of Potential Demand

There'll be less money for home mortgages next year—enough, say, for 1.2-million starts. That's the thinking of two economists directly concerned with mortgage lending.

Saul B. Klaman, director of research for the National Assn. of Mutual Savings Banks, feels "increased credit demands and a reduced gain savings mean that in 1960 there will not be sufficient credit to finance all of the potential demands for housing." He says 1.2-million starts look likely as the figure that can be financed.

James J. O'Leary, economic research director of the Life Assn. of America, goes along with Klaman's ideas. He says the pressure of demand for funds next year will compel the Federal Reserve to keep a tight rein on credit, thus keeping interest rates firm. And O'Leary expects life companies to switch aggressively toward industrial financing as net yields on home mortgages grow less competitive.

Reierson of Bankers Trust Asks Change

#### In U.S. Gold Reserve Requirements

Roy L. Reierson, vice-president and chief economist of Bankers Trust Co., has come up with a plan to cut the deficit in the U.S. balance of payments and the accompanying drain on our gold reserves. He proposes to modify or drop the legal requirement that the U.S. hold a basic good reserve equal to 25% of outstanding Federal Reserve notes and deposits. This requirement, he argues, "freezes" about \$12-billion of the U.S. gold stock. Reierson pointed out that:

• The U.S. gold stock of \$19.5-billion has dropped

about \$3.25-billion in the last two years.

 Our short-term liabilities to foreigners, including the World Bank and the International Monetary Fund which can be used to buy gold from the Treasury—are now over \$19-billion, up approximately \$2-billion this year.

• The amount of "free U.S. gold"—not part of the legally required reserve—is equal to only 40% of the amount that foreigners could theoretically demand from

the Treasury

Eliminating or reducing the required reserve, he said, "would provide an effective rebuttal to recurrent rumors of devaluation and recurrent fears that an embargo may be placed on gold sales." It would not, he added, have any effect on U.S. domestic money policy, but would bolster the status of the dollar in international ex-

change.

Dr. Miroslav A. Kriz, economist for the First National City Bank, took exception. He said that dropping the 25% requirement would not reduce the U.S. deficit in its balance of payments and might be widely interpreted as a sign of U.S. weakness by foreign central bankers. Besides, said Kriz, a large proportion of the foreign dollar holdings are themselves "frozen" by foreigners' need for dollar balances with which to clear international trade.

Meanwhile, Frank A. Southard, Jr., special assistant to Treasury Secy. Anderson, hit out sharply at critics of Administration policies to cut the deficit in the balance of payments. He said it would be "irresponsible" to assume that the U.S. can continue to run a deficit for a long time and not get into difficulty. This year's deficit is expected to run to somewhere around \$4-billion.



Rainwear-colors stay bright



Stair treads-cost less with Ameripol



Erasers-mistakes come clean

More and more successful products are being made of Ameripol Rubber...the broadest line, from the world's largest source of synthetic rubber...Goodrich-Gulf



Shoe soles—easier processing



Floor tile-real comfort underfoot



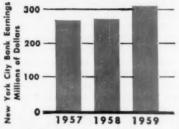
Car rugs-Ameripol cut costs again



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#### THE MARKETS



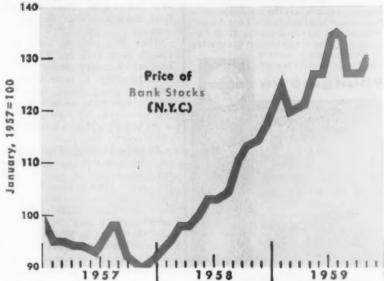


And higher price-earnings ratios on bank stocks...



Data: Standard & Poor's; M. A. Schapira & Co., Inc., First Boston Corp

### ...Spell profits for bank shareholders



GBUSINESS WEEK

# Why the Bank Shares Keep Rising

Traditionally, bank stocks have been regarded as sound and sensible "defensive" securities, good to buy when the market seemed shaky or uncertain, particularly good for investors who prefer safety and yield to risky spectacular gain.

Yet from the charts above, it's evident that bank stocks—while performing their defensive role admirably—have done much more than that. Bank stocks are up 31% over their January, 1957, levels—a better showing than the 27% rise registered by Standard & Poor's 425 industrial stock index.

Most of this rise in bank stocks has been due to the continual buying by institutional investors, especially the Massachusetts mutual savings banks and the fire and casualty insurance companies, which have always been conservative in purchasing equities. Other institutions, including a growing number of mutual funds, have also been buying bank stocks, with the result that there's been a steady climb in price-earnings ratios. Today most bank stocks are selling at around 15 times earnings, compared to only 12 times just two years ago. Some banks in suburban "growth areas" sell at better than 20 times earnings.

• Individual Buying—The steady rise in bank stock prices is now attracting the individual investor, despite the hike in price-earnings ratios. Some individuals, mostly seeking safety of capital, consider it prudent to have some bank stocks in their portfolio. But today a growing number of individual investors, both large and small, are buying bank stocks because of the prospect of capital gains rather than for safety and yield alone.

None of the brokerage houses specializing in bank stocks-traded only on the over-the-counter market-expects them to come back to the kind of favor they enjoyed in the late 1920s. Then, recalls Douglas H. Bellemore, professor of finance at New York University, bank stocks "were selling at perhaps twice overstated book value and 41 times over-stated earnings." They were regarded in much the same light as electronics stocks are today, and the boom, while it lasted, pushed some bank stocks to fantastic heights they have never regained. · More to Come-But brokers are freely predicting that bank stock prices and price-earnings ratios, although high, may well move higher. Their reasons:

New banking services for consumersparticularly bank check credit and credit card plans (BW-Mar.7'59,p55). According to the brokerage firm of Auchincloss, Parker & Redpath, these aggressively promoted plans are "bringing credit back into the banks." Most of these plans are still so new that their impact on over-all earnings has yet to be felt, but bankers are confident that their contribution will be substantial, particularly during any future period of easy money and low interest rates. At such a time, income from bank investments and commercial loans can be expected to decline, but the rates on consumer credit should stay up.

More bank funds at work in loans,

rather than in ultra-safe government bonds or cash. The First National City Bank of New York today has about 55% of its assets in loans and discounts, compared with only 28.5% in 1948. The yield on loans has always been higher than that on open-market investments.

But there's a limit to how much banks can increase loans—normally considered "risk assets"—and still meet the requirements of sound banking. Some observers feel banks have already reached a point where they will have more and more difficulty accommodating the increase in loan demand expected in the months ahead.

High interest rates. The most powerful influence on bank earnings, currently at least, is the fact that short-term interest rates are at their highest since the early 1920s.

This has been a boon for the banks in New York City, which do a big proportion of their lending on a short-term basis to big corporations at rates closely tied to the money market. Their earnings this year, according to M. A. Schapiro & Co., Inc., one of the largest bank stock dealers in the country, will be \$316-million, an all-time record and almost 16% over 1958.

• Outlook Elsewhere—Banks in other parts of the U.S. will share in the increase, of course, but on the whole, they aren't expected to do so well as New York's banks. One reason is that banks in Chicago, Cleveland, and Detroit have only recently pushed up the rates they

### 1959 SUMMARY

Here, at a glance, are the major phases in Youngstown Sheet and Tube's" Look Ahead" Program as reported during 1959. See pages 84-85 for current report to industry by Youngstown - today's most dynamic force in steel.

Youngstown









THE YOUNGSTOWN SHEET AND TUBE COMPANY

pay for savings to 3%-at some of the Chicago banks, the increase amounted to paying out one-third more than last vear. This higher payout is expected to hold down somewhat the increase in earnings.

Then, too, rates on loans at banks outside New York and Chicago don't fully reflect money market rates. This is an advantage to them when money rates are going down, because their average loan vield doesn't fall so fast. But when rates are high and rising, as at present, the improvement in loan

vields doesn't keep pace.

· Portfolio Dealings-The rise in interest rates-and the consequent drop in bond prices-has not been all gravy to the banks. Most of them have suffered huge paper losses in their investment portfolios, largely made up of government bonds. In some cases, the demand for cash to lend to business has forced banks to sell their bonds at a loss. The banks' losses from security sales this year are expected to be much bigger than the profits they were able to accumulate in early 1958, when bonds enjoyed a short-lived bull market.

But a gimmick in the tax laws softens the impact of this forced selling. Banks are always in a position of needing to buy bonds when prices are high-when interest rates and loan demand are slack -and to sell them when prices are low, to satisfy loan demand. So the Treasury allows banks to use their long-term capital losses from bond sales to offset current operating income. As it works out, approximately half the loss on a bond sale can be recovered in the form of reduced taxes; if the bank then takes the proceeds of the sale and reinvests in low-coupon bonds selling at deep discounts, it can actually come out ahead. The bond purchased at a discount will gradually rise to par as it approaches maturity, and the profit on this gain is taxable only at the 25% capital gains rate, which gives the bank a substantial tax saving.

· Loan Prospects-Although banks like to do well in their investments, they like heavy loan demand at a good rate even better. Ever since the start of the year, it's been clear that rising rates would spell record profits for banks (BW-Jan. 24'59,p114). Now many analysts say earnings will be even higher next year.

Frank L. Elliott of Paine, Webber. Jackson & Curtis says the key is the rate of interest on bank loans. Right now, he figures the average rate banks are actually collecting on short term loans-5.09% according to the Federal Reserve Bank of New York-is still under average "going rate," which he thinks should be about 5½%. The rate actually collected, he says, will increase as loans made before Sept. 1-when the prime rate went to 5% to 41%-are paid off and replaced by loans at a cur-

rent rate. As Elliott sees it, any further decline in rates is not likely to have an effect on 1960 earnings.

· Less Excitement-But in the face of record earnings, bank stock prices, after rising 30% in 1958, have calmed down considerably. Though many new investors are buying, a great many others think the stocks have discounted the expected earnings improvement. Bank stock analysts feel that an important reason for the uncertain market performance of the bank shares in recent months is that the New York City banks, which make up the bulk of the actively traded bank stocks, have been very slow to pass their improved earnings along to shareholders. In the meantime, earnings of these banks have climbed almost 16%.

"Some investors," says an analyst at one major investment banking house, "have been getting a little tired of

However, New York banks are expected to raise their cash dividend rates, or declare handsome stock dividends in the coming weeks, to coincide with bank annual meetings in late January and early February. This week, in fact, two of them voted stock dividends. First National City plans to declare a 2% dividend, and the Hanover Bank will seek approval for a 12½% stock dividend. Increased dividends are already much in evidence among banks outside New York. This week, First Pennsylvania Banking & Trust Co., which ranked 20th in the nation in deposits at the end of 1958, declared a 5% stock dividend and a vearend extra of 10¢ a share, in addition to the regular quarterly dividend of 55¢. Neither an extra nor a stock dividend was paid last year. And in Boston, the Second Bank-State Street Trust Co. boosted its regular quarterly dividend from 90¢ to 95¢ on its outstanding shares and declared a 50% stock dividend.

Then, too, defeat of branch banking legislation in New York and Illinois this year has tended to discourage speculators seeking a quick gain in

bank stocks.

• Forced Sales-Another factor tending to depress bank stocks recently has been heavy selling by Massachusetts mutual savings banks in the last few weeks. This selling doesn't represent any lack of faith. Rather, the mutuals have been forced to sell in order to meet deposit drains. Savers have been pulling out their funds to invest in the Treasury's "magic" 5% notes issued last month. The mutuals also need funds to put into mortgages as the flow of new savings slows down.

But one bank stock analyst says the selling from the mutual savings banks has "about dried up." He predicts "the traditional yearend rally in bank stock will be stronger than ever this year. END

### Nuclear Navy means business for U.S. industry

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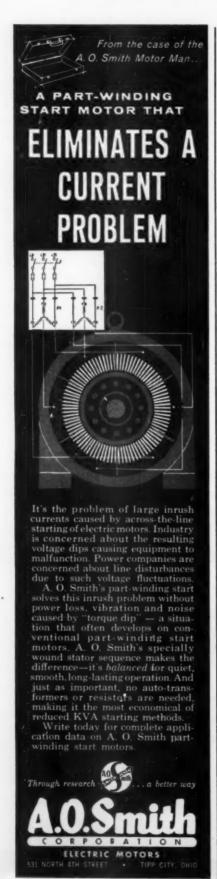
In that period, the Navy has spent an estimated \$3.1-billion on nuclear construction. Add to that another \$495-million spent in the same period by the Atomic Energy Commission on the Naval program and you have a total of nearly \$3.6-billion—most of it channeled to private industry through prime contractors, subcontractors, and a veritable host of suppliers.

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### No Yearend Tax-Selling Drag

Tax-loss selling is on, but so far it's moderate; brokers look for it to go on setting off individual stock flip-flops, but not to pull down market as a whole to any extent.

This is the tax selling period. And yearend tax selling is currently causing flurries of activity among individual stocks. But it's not likely this year to pull down the broad market to any meas-

urable degree.

That's the thinking of Wall Street brokers who say tax selling has been comparatively moderate to date. It's heavier than it was in 1958, but it's not matching the massive dose of tax-lcss selling in 1957. That's because common stocks are only about 6% below the record highs hit early in August, and investors reviewing their portfolios find they don't have that many good sales.

Tax selling is partly a function of probable tax gains. Investors who made a killing earlier this year are the ones most anxious to sell off their losers and help offset their profits. Those who didn't do so well are holding on. Brokers say that a good many customers have already taken their gains and losses.

• Targets-The chief targets for selling up to now have been those issues that show substantially larger declines in market price than the averages. Among these are a number of aircrafts (Bell, Boeing, McDonnell); oils (Halliburton Oil Well, Skelly, Honolulu); mining companies (Granby, Magma, Newmont), and some individual companies that have been having their own particular headaches, such as H. L. Green, Freeport Sulphur, ACF-Wrigley, and Underwood.

Brokers say that the stock prices of these companies could work still lower. "At least, the selling is sure to trim any rise these issues might have in store,"

says one broker.

• Slight Impact-However, tax-loss selling in these specific issues is not having a significant impact on the broad market. Brokers say it is merely encouraging slight sell-offs. This isn't surprising in an uncertain stock market like this, one that is also marked by relatively thin trading volume.

In a bull market, there's usually little out-and-out tax selling-the sort where investors just dump stocks and hide. Instead, investors try to beef up their portfolios by switching securities; this switching actually often helps raise prices. It's in a depressed market that heavy tax selling usually occurs, helping drag prices down.

But in a wavering market, tax selling's impact is nullified except in individual issues-particularly when, as today, most of it is being done by

individuals, not institutions. Those institutions that became disenchanted with equities in midvear have already sold out or are switching. Some are still doing a good bit of weeding out or switching in off-the-exchange deals, which do not have any direct pressure

on market prices.

· Holding On-Moreover, many investors who have scored handsome capital gains are not unloading. For one thing, they would have a huge capital gains tax on their hands. Despite the fact that the capital gains should by now be considered part of the cost of the business of buying and selling stocks, most investors are reluctant to see their profits trimmed in any way.

Then, too, new stocks bought with the after-tax proceeds of a sale would have to outperform the old securities to bring the same return. It's hard to unearth such issues in today's uncertain market. In fact, a lot of big investors claim that they are frozen in their gains. They are selling the sour issues not to offset realized gains as a tax-loss carryforward against next year's operations.

· December Spur?-While tax selling hasn't been a drag on prices, some brokers insist it has helped stymie any advance in prices. One broker explains: "Psychologically, tax selling is a bearish factor. Investors feel it is hanging over their heads, and it's a tough thing to discount even though you know it's going to be over soon.

That's why brokers are looking forward toward the end of December, when tax selling will be over. They regard its end as a fillip to stock prices, and point out that in the past December has been one of the most bullish

times of the year.

In the past, says Edmund W. Tabell of Walston & Co., if the market has been higher for most of the year, the December low is usually reached early in the month. In 1958, when prices were higher for most of the year, the low was reached on December 3. In 1957, with the market lower for the last half of the year, the December low was not reached until December 23. Thus, Tabell feels this year's December low will be about halfway between the two dates. If Tabell is right about this, the market may be within striking distance of new highs. Stocks are only 35 points below their all-time highs, as measured by the Dow-Jones industrial average and any pep pill could bring them close to the top again. END



# How much could be sliced off the cost of your workmen's compensation?

It's a known fact that Workmen's Compensation rates may run from as low as half of 1% to as high as 10% of plant payroll. That's why so many cost-conscious manufacturers turn to American Mutual to save dollars on their Workmen's Compensation—and here's how they do it!

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## In the Markets

### Stock Market Takes Turn for Better, But Only a Few See Winter Rally On

The stock market showed a stronger tone this week, and a few professionals saw it as the start of a winter rally. The majority, however, remains unconvinced. They think that tax selling is not yet over and that the increasing stability of the bond market, with its attractive yields, are barriers to an all-out rise.

There were big price rises in specific stocks, mostly on news of splits or increased dividends. Many of the issues showing the most activity were in the electronics category, which still remains the favorite of speculators and traders. In contrast, the vast majority of stocks had little movement, and some analysts think that the market is divided fairly sharply between a small number of highly over-valued situations, mainly in the electronics field, a big number of issues that are fairly priced, and a small number of undervalued issues.

### Bond Issues With Yields Pared Run Into Strong Resistance

\*Following last week's burst of enthusiasm in the bond market over the \$250-million American Telephone & Telegraph "AA" debentures, priced to yield 5.22%, both corporate and municipal syndicates were encouraged to pare yields—and promptly ran into resistance. The \$15-million Potomac Electric Power "AA" bonds, offered at 5.10%, were barely successful, and little interest was shown in the Gulf States Utilities Co. "AA" bonds, offered at 5.08%. Moreover, municipal syndicates placed only about 60% of their new underwritings.

Bond dealers think that the next move in the market will be down rather than up, but that the change will be gradual on very thin trading. Dealers also look for a further tightening in the short-term money market to accompany the upswing in business activity. They expect the \$2-billion Treasury bills, due next October—floated this week to raise cash—will trade well over 5% by mid-December.

# Settlement Likely in Alleghany Fight As Zeckendorf Offers Compromise Plan

At midweek, a settlement seemed at hand in the Alleghany Corp. flare-up between A. M. Sonnabend and Allan P. Kirby, the late Robert R. Young's successor at Alleghany.

Last week, Sonnabend—who claims control of 15% of Alleghany's common—threatened a proxy fight after Kirby dismissed David Wallace as vice-president of the holding company (BW–Nov.21'59,p26). Sonnabend

claimed he and Kirby had agreed Wallace was to be made president; but Kirby, incensed at what he considered disloyalty, tossed Wallace out.

A compromise looked likely, though, after friends stepped in to mediate. William Zeckendorf, president of Webb & Knapp, offered a plan that met with general approval. It involved a seat for Sonnabend on Alleghany's nine-man board plus a post on the executive committee. Sonnabend, in turn, would reduce his direct holdings in Alleghany from 200,000 to 100,000 shares. Wallace, now the forgotten man in the dispute, would give up his present board seat, be retained as a consultant for at least one year.

Kirby acknowledged to Business week that the Zeckendorf proposals might be part of a compromise agreement. But he said: "There are a number of things which have to be worked out; we're trying to get a basis for working together." He left little doubt that he thought a solution would be reached soon.

### Produce Exchange Opens New Quarters

The traditional clang of a ship's bell this week started trading in the New York Produce Exchange's ultramodern headquarters on the first floor of a new sky-scraper on the site it has occupied since 1884. The Exchange, which now has 500 members around the world, makes a cash market—primarily for export—in grains, seeds, feeds, and flour, and a futures market in cottonseed and soybean oils.

In other developments, New York's Commodity Exchange—handling non-agricultural products—late last week decided to confine tin and burlap futures trading to the liquidation of existing contracts. There has been little interest in either because of the very stable cash market prices. Earlier this month, Chicago's Mercantile Exchange ended onion futures trading, after last year's Congressional ban was upheld by the courts.

#### The Markets Briefs

Reports are circulating that the prolonged legal battle over General Aniline Film Corp. (BW-Nov.15'58,p24) is about to be settled and that the U.S. will shortly sell its shares. GAF was seized by the U.S. in World War II as enemy-owned property, and the U.S. Attorney General holds all but 52,000 of the 2.6-million outstanding shares. Neither the company nor the Justice Dept. would comment, but in the over-the-counter market GAF moved closer to 400, a new high.

Rumors persist that either Ford Motor Co. or the Ford Foundation will buy up the 46% minority interest in Ford Motor, Ltd. (English Ford), now held by individual investors, in much the same pattern as Ford Motor's purchase of Ford of Canada shares (BW—May30 '59,p29). Ford Motor, Ltd., stock has risen 25% to about \$15 a share on the rumors. Both Ford and the Foundation deny the move, but observers note that the Foundation will have over \$150-million to invest after its scheduled sale of 2-million shares of Ford Motor.



Sturdy Victor insulators fulfill a double role in power transmission systems: they support the tremendous weight of the cables and they prevent electrical leakage. This eagle's eye view was painted by artist Ned Seidler.

### THEY MUST NOT FAIL...PEOPLE NEED POWER

From the minute these high voltage powerline insulators go into service, the forces of nature try to pull them down. Yet the people of power-hungry cities can be confident that their electricity will not be interrupted. Years ago, engineers of I-T-E's Victor Division learned the important secret of how to make these insulators strong: impurities must be kept out. Today, Victor insulators made of purified porcelain have the extra strength that helps them stand up under extreme stresses. They carry hundreds of pounds of cable weight easily, even under the whipping and the straining inflicted by wind and rain and ice. So cities coast to coast can be sure of dependable electric power. Other I-T-E electrical equipment

also serves to make electricity more useful and dependable ...in industry, commerce, institutions, homes and on farms. Better made for better performance, it costs no more. It's designed to appeal to everybody who wants top value for his electrical equipment dollar.

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I-T-E CIRCUIT BREAKER COMPANY

### Crucible steel service

# HOW ADVANCES IN MELTING TECHNIQUES PRODUCE NEW METALS AND ALLOYS FOR INDUSTRY

- Bearing and spring makers are now being supplied with steels of such high purity they virtually eliminate rejects during manufacture and premature failures in use.
- Aircraft and missile builders are getting an entirely new range of high strength and high temperature alloys for rocket motor casings, pressure vessels, jet engines, airframes and structural components.
- Builders of nuclear reactors are being provided with higher boron content stainless steels that, surprisingly, are easier to work.
- And the metalworking industry is now using much more uniform and dependable tool steels that produce higher yields of finished products and longer tool life.

What's behind these developments? The answer is recent Crucible advances in the electric furnace melting of specialty steels. The vacuum melting processes are part of this progress.

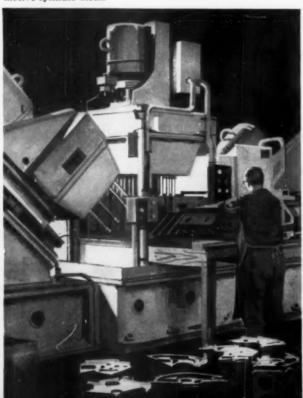
A new science, vacuum melting produces high purity metals by melting in a vacuum. It frees metals of gases and inclusions, increases their tensile and impact strengths and improves workability. In fact, it is the only way metals such as titanium can be produced.

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TOOL STEEL — Crucible tool steels are used to make broaches, drills, reamers, taps, dies and all other metalforming tools. Here, a way-type multi-spindle boring machine precision bores multiple holes at the same time in an automotive cylinder block.

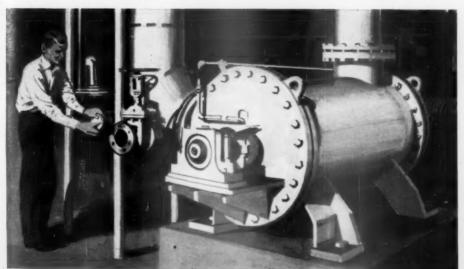




PERMANENT MAGNETS — The packaged energy of Crucible Alnico magnets is put to use in hi-fi and stereo components, TV, radar systems, generators, separators, lifting devices and instruments. Crucible supplies sand cast, shell molded, and investment cast magnets in all shapes, tolerances, finishes and sizes.

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### PERSONAL BUSINESS

BUSINESS WEEK NOV. 28, 1959



This is the time of year when the question of giving Christmas gifts to business associates often crops up.

It's always been a ticklish problem, but made doubly so this year because of the current scandals concerning "Payola" and business bribes in general. For in making a Christmas gift, the question is often raised whether the gift isn't really made for services rendered or anticipated.

That's one reason quite a few business executives don't accept such presents and a growing number of businessmen simply don't give business Christmas gifts.

There are a couple of other points to be aware of on the question of Christmas gifts. Some companies prohibit employees from accepting gifts from suppliers. Others have strict rules against their executives giving or receiving gifts from their colleagues.

And if the giving extends beyond corporate officials to, say, public officials, keep in mind the fact that in some states, such as New York, a strong stand has been taken against state officials accepting gifts anytimeincluding Christmas.

If you have been giving gifts as a regular routine and decide to cut down on your list, the simplest idea probably would be to cut the list completely, rather than trim it. If you trim, you are almost certain to run the risk of offending several old-timers (just the sort of thing that often rebounds regretfully).

If you plan to do away with the list completely, many executives find it best to make their decision known to everyone concerned. Here one fairly common method is to send exceptionally attractive Christmas cards with brief, hand-written messages.

While many executives have given up, or have cut down on Christmas giving, it would be foolish to ignore the fact that in many businesses an exchange of gifts at Yule time continues to be the custom.

If you are in this category, there are a couple of pointers that may be helpful:

First, think twice before you add anyone to your list. Give a gift to an individual only after you and he have an established, cordial relationship—in other words the gift should be founded on past association, not on one that may lie in the future. This holds true of prospective suppliers as well as customers, a point often ignored.

Secondly, keep your business gifts modest in cost and impersonal in nature. Many businessmen solve this problem by giving such gifts as cigarette lighters, fountain pens, knives, which are of a distinctly proprietary nature. Or, perhaps, make charitable contributions in the names of business acquaintances.

The gift itself. You're wise to stick to items that are for a man, not for a man's wife or family. If it must be in a bottle-and remember this isn't always the right decision-it's usually better to get one bottle of a top brand, rather than a couple of bottles of something more ordinary. Ditto for cigars.

To keep the costs of your business gifts uniform—often a good idea- 141

### PERSONAL BUSINESS (Continued)

BUSINESS WEEK NOV. 28, 1959 it might be wise to employ a gift-purchasing agent, with instructions to vary the gifts, but not the price.

Mailing. There's a prime rule here that oddly enough is often ignored and regretted: Since the gift is from you as a representative of your company, and not from you personally, make sure the enclosed gift card leaves no doubt that this is primarily a company gift, and that your personal role is secondary.

The same rule applies when you're on the receiving end of a Christmas gift sent in the course of business. Your letter of acknowledgement may give a wrong impression if it is written on your personal stationery. Address it to the individual, of course, but use company paper and include your company in the expression of thanks.

One final suggestion: These rules don't necessarily apply to your gift to your secretary. Here gifts can be a lot more personal, and frankly, can be an important holiday event in your office. Your wife may sign the card with you—in fact, it might be a good idea to have her select this gift.

Warning: Don't give your secretary anything that might be used in connection with her job. Such a gift likely will win a cold response.

When you donate property to a school or charity, instead of cash, you may run into some sticky details—especially on the question of valuation (BW—Nov.21'59,p173).

What you are entitled to deduct, technically, is the "fair market value" as of the date the property is delivered to the charity—not, so often supposed, the date when it is delivered to the donor's agent for redelivery.

If you donate a listed stock, the "fair market value" of a share is the mean price between the highest and the lowest quoted selling price on the date of the gift. If there are no sales that day, you average the two mean prices on the closest dates before and after date of the gift.

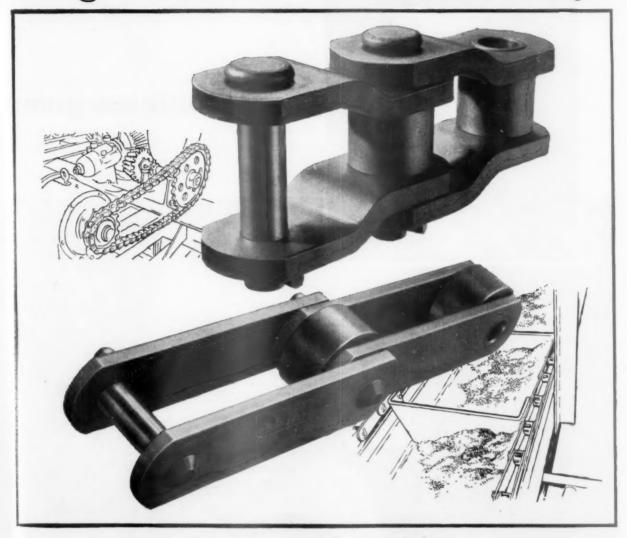
If the security isn't traded on an open market—as in the case of a closely held corporation—then the value of a share for tax purposes is subject to Treasury review and approval.

Note: Owners of closely held corporations have sometimes used a charitable contribution of their stock to establish a valuation for estate tax purposes. The Treasury is inclined to value a stock for charitable deduction purposes at a low rate.

Savings bond exchange: Starting Jan. 1 you can swap unmatured Series E, F, and J savings bonds for Series H bonds that pay semi-annual interest in cash, without immediate income tax on the accumulated unmatured bond interest. Under the plan, tax payment on the converted bonds' interest can be postponed until the newly acquired H bonds are redeemed or mature. The new Treasury Dept. ruling has been awaited since announcement of the increased interest rate schedules for E and H bonds (BW—Sep.19'59, p183).

Presents sent by air parcel post to servicemen abroad should be on their way by Dec. 10 to insure reaching overseas points in time for Christmas. Note: The 2-lb. limit for packages shipped to military personnel is no longer in effect. Now you can send a box weighing up to 70 lb. via air parcel post with a maximum 100 in. in combined length and girth.

# Long life runs in this chain family"



# Why there's far less unit stress in LXS—the durable conveyor and drive chain by LINK-BELT

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For full details on this complete chain line, write to LINK-BELT COMPANY, Dept. AV, Prudential Plaza, Chicago 1, Ill.



BASIC PRODUCTS AND ENGINEERING FOR INDUSTRY'S BASIC WORK





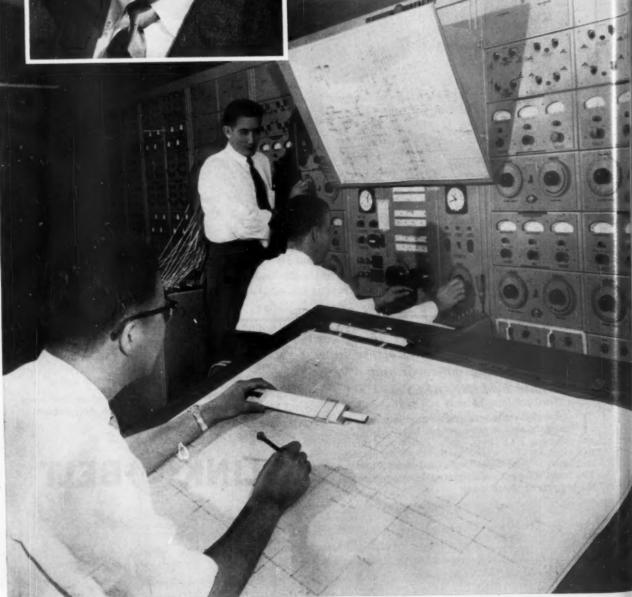








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Chief Engineer, Machinery Manufacturer

"The ad shows this can be a safety factor, so I'm going to order some. I'll write and have them send a set, then try them out on one machine."

Plant Superintendent, Equipment Manufacturer

"After reading their ad about these new tires, I called the local distributor and ordered four to try out."

Equipment Manager, Paper Box Manufacturer

"We'll get in touch with them. We want to see about the motor in this ad."

Group Engineer, Beverage Manufacturer

"According to the ad, they've done research on problems similar to ours. I wrote for information, and asked for a trial sample."

> Technical Director, Shoe Polish Manufacturer

"I talked to their salesman after reading the ad. We're interested in changing our system, and they will work on it for us."

Purchasing Agent, Metals Distributor

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# In Management

## Machine Doesn't Think, But It Tests The Thinking Power of Job Candidates

Spotting people for hard-to-fill positions such as computer programers and electronic equipment trouble-shooters is the job of two similar testing devices put out by the Psychological Corp. of New York and the Central Electronic Co. of Chicago. The devices are designed to measure an individual's ability to solve abstract problems.

Both testing machines present a series of increasingly complex logical problems by setting up various relationships between buttons and lights on a display panel. As the subject works out a solution, by pressing buttons and analyzing the results, his actions are recorded automatically. The record reveals his method of investigation, ability to organize complex information, speed, and reactions to making errors.

So far, the machines have been extensively tested only on prospective programers and trouble-shooters, but they may be equally useful in determining job assignments for engineers or even salesmen. They have also been used experimentally in projects ranging from testing top executives to selecting personnel for the space flight program.

Psychological Corp. labels its machines the Logical Analysis Device. It is now giving tests with it for \$35 a person including performance ratings made by two examiners working independently. Central Electronic's machine, called PSI—problem solving with information—has just come on the market at a price of about \$1,200.

### Foremen Have a "Management Viewpoint," But Still Feel a "Degree of Alienation"

Companies that want their foremen to have a "management outlook" have a continuous educational job to do, Dr. Robert W. Miller finds in an Ohio State University-National Management Assn. study of management and union attitudes toward the American social system.

Miller surveyed several hundred managers, union officers, and rank-and-file union members in nine Midwestern companies. For the most part, the foremen's viewpoints are similar to those of upper-level line managers and staff executives. For example, all types of managers feel little identification with the working class and believe management treats its employees well.

But there are enough differences between foremen and other managers to suggest that foremen "feel a degree of alienation from the rest of management," Miller reports. Other managers believe that the average worker has a real chance to rise in the world and that people are essentially good. Foremen are not so sure; in fact, they have less confidence in these ideas than union leaders do.

Upper managers are much less authoritarian than the foremen in their approach to worker-management rela-

#### MORE NEWS ABOUT MANAGEMENT ON:

- P. 168—Management of big Hawaiian companies is shifting from old island families to mainlanders.
- P. 177-Varsity business-game teams from nine schools battle it out in Chicago.

tionships. Even union leaders are more authority-minded than upper managers, though less so than foremen; workers are most authoritarian of all.

All the managerial groups endorse the idea of striving for personal accomplishment. Surprisingly, however, line managers above the foreman level show less drive for achievement than staff executives, foremen, or union leaders do.

### Interest-Free Loans to Tide Carrier Workers Through Layoffs

Carrier Corp. has arranged for interest-free loans to workers at its Syracuse plants who will be laid off as a result of expected steel shortages later this month. Under the plan, the Midland Marine Bank of Central New York will lend each worker up to \$40 a week, with a ceiling of \$200. The company will pay all the interest and carrying charges.

The payback period will be the first fifty weeks after resumption of regular work schedules, with the company making equal weekly payroll deductions. To be eligible, an employee must be 21 years old and must have worked for Carrier for six months or more. Carrier also assures employees that the loans will not affect any state unemployment compensation to which they might be entitled.

So far, the company has announced a two-week shut-down starting Nov. 23, and then alternate week closings until steel supplies are available for full production.

#### Management Briefs

About a quarter of all American workers are now involved in some kind of pension plan according to a report issued last week by the 20th Century Fund. But present laws and practices, the report adds, may prevent half of these from getting the full benefits they expect.

A five-year study by Employers Overland Co., a supplier of temporary office help, shows that up to 10% of their applicants suffer from acrophobia—fear of heights—and often refuse jobs above the first floor. The switch to automatic elevators seems to be making the problem worse.

The School of Industrial Management of Massachusetts Institute of Technology will conduct a series of management seminars in India during the next three years. Each year, 30 businessmen will take part in an intensive four-week session, and up to 1,000 will attend one-day conferences. The costs will be covered by a \$175,000 Ford Foundation grant.



Photograph courtesy of Pacific Forge, Inc., Fontana, Calif.

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## Mainlanders Take Over in Hawaii



BIG FIVE PIONEER-Alexander G. Budge, president of Castle & Cooke since 1936, sought out young mainland talent, trained it for Hawaiian posts.

Bringing professional management in place of former family control, they're taking power in Big Five, other old companies.

Behind Diamond Head, behind the grass skirts and the palm trees, a transformation is under way in Hawaii's business world, paralleling the political transformation that has made the islands the nation's 50th state. A new generation of relatively young mainlanders—some of whom you see in the pictures—is taking over leadership in the islands' old centers of business power.

With it, this new generation is bringing a modern, states-style, professional management to supersede what still remains of the family-controlled paternalism that once dominated the islands.

Since the war, of course, many outside influences have entered Hawaii's business community—Henry J. Kaiser, several major airlines, Sheraton Corp., Sears, Roebuck & Co. with its giant store. But the new transformation is making over the business leadership not only in established companies in transportation and utilities but at the core—in the traditionally dominant Big Five companies, the agencies that deal in sugar, shipping, pineapples, and an increasing number of other activities.

Four of the Big Five now have, or are slated soon to have, top executives who all trace back to the mainland and to a now historic talent search started only some 25 years ago by the pioneer mainlander of them all—Pres. Alexander G. Budge of Castle & Cooke, Inc. (left). Among the five, the mainland revolution is perhaps most thoroughgoing at C. Brewer & Co., Ltd., now headed by one of the earliest discoveries of that talent search, Boyd MacNaughton (cover).

#### I. Island Empires

At Brewer, too, the new mainlandstyle management methods and what they mean for Hawaii show up most clearly. The titles of the Brewer vicepresidents in the picture below point up the specialized services that subsidiary firms now get from Brewer: Besides the vice-president and treasurer, there are vice-presidents for production, industrial relations, general engineering, industrial engineering. A plantation manager is still boss, but Brewer sees he gets expert central advice on such matters as choosing machines, or deciding what fertilizers are best for some very troublesome acre.

It's with such methods that Brewer has rung up records for the most sugar per acre, both irrigated and unirrigated, and the most sugar per man-hour.

This is a far cry from the days when



PINEAPPLES-Herbert Cornuelle, 39, was spotted in New York seven years ago by Hawaiian Pineapple; now he's president.





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TYPICAL of new leadership is James H. Tabor, 43, Oklahoman, president of Theo. H. Davies; like three other high Big Five men, he came up under Castle and Cooke guidance.



UTILITIES--Texan James C. Stopford, 46, walked into Honolulu Gas Co. in 1951 to ask for job, became president in 1957.





AIRLINES-Arthur D. Lewis, 40, another Texan, has headed Hawaiian Airlines since 1955.

VICE-PRESIDENTS of C. Brewer & Co. have mainland majority: D. J. Martin (left) is from Texas; R. G. A. Crowe from Burma; William Kenda from Texas; H. C. Babbitt from Hawaii; and D. J. Canty from California.

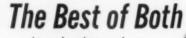


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a Hawaii sugar plantation manager was a sort of feudal lord of all he surveyed—and at the same time, his own personal expert on just about every problem that came up. He relied on the Big Five Agencies primarily for marketing his sugar, and for such services as getting everything from hoes to hose shipped in from the U.S. mainland.

Even up to World War II the Big Five, all founded by Caucasian settlers in the century after Capt. James Cook discovered Hawaii in 1778, were the dominant influence in Hawaii's business, political, and social structure. All were relatively closely held, and most were headed by men with some family tie to the controlling owners. Their empires took in ships, docks, sugar, pineapples, most warehousing and wholesaling, and a good chunk of retail business.

• Still a Power—Today, the Big Five are still a power in the island economy, doing most of the same business with many new lines added, and worth more than ever—though no longer as big a piece of the whole as they once were. Here's the way they look now:

C. Brewer & Co., Ltd., founded
1826—in sugar, shipping, ranching, macadamia nuts, insurance, machinery.
Theo. H. Davies & Co., Ltd.,

 Theo. H. Davies & Co., Ltd., founded 1845—in sugar, shipping, machinery sales and manufacture, steel, insurance, wholesaling.

 American Factors, Ltd., founded 1849—in sugar, pineapples, shipping, real estate, building supplies, stores, insurance, electrical lines.

 Castle & Cooke, Inc., founded 1851-in sugar, pineapples, shipping, fish canning, macadamia nuts, electronics, insurance, heavy machinery, real estate.

 Alexander & Baldwin, Ltd., founded 1874—in sugar, pineapples, shipping, with a heavy investment portfolio besides.

That adds up to a powerful total; and it's still true that sugar is central to Hawaii's economy, and sugar still means the Big Five. But the five no longer hold the position of near-absolute power that drew violent broadsides from New Deal critics. There's another sign of change, too—change from within; it's perhaps significant that Budge, the mainlander, is the only prewar Big Five president to have weathered World War II and still be on the job.

#### II. Pioneer and Talent Trainer

It was in the heyday of the family-controlled empires that Budge, now 67, came to Hawaii. And it was he who proved that one small revolution could be multipled by plan into a policy for management development.

His own career established the initial revolution. Born in North Dakota, he came to Hawaii as a boiler salesman, was hired by Castle & Cooke in 1920 as assistant secretary. There he was groomed for leadership, and served as executive vice-president for two years before he was moved into the presidency in 1936 as the company's first non-family head—despite some scathing remarks from the old families about giving the job to an outsider.

• Talent Search—Budge, still a brighteyed, direct, and kind-hearted man with something of the wise look of an owl, recalls that he and an early Castle & Cooke associate, George Montgomery (now president of Kern County Land Co. in California), decided the most constructive thing they could do for the company was to seek out talent.

The search was so successful that it has even earned Castle & Cooke occasional barbs of criticism as a talenthoarder. But it also established a pattern of advancement that led out from Castle & Cooke to other companies among the Big Five and their subsidiations.

• Ladder—The pattern was set by Boyd MacNaughton, now president of Brewer. Son of a Portland, Ore., banker, his name turned up on a list recommended to the talent hunters by the Stanford School of Business. In 1936, he went to Hawaii, worked up through the Castle & Cooke organization, then went over to its 49%-owned subsidiary, Hawaiian Pineapple Co. In 1956, at 47, he was called to the presidency of Brewer by Alan S. Davis, another former Castle & Cooke man who moved up to the Brewer chairmanship to make room for him.

Others who have walked up the Castle & Cooke ladder but are still more or less in the family are Randolph Sevier, president of Matson Navigation Co. (controlled by the Big Five), and Donald Maclean, president of California & Hawaiian Sugar Refining Corp. (also Big Five-controlled).

The list is long. It includes Frederick Simpich, now a Castle & Cooke vice-president, and Duncan McBryde, recently retired vice-president of Matson Navigation. And the hunt has continued full tilt since the war. Budge spotted Herbert Cornuelle, now 39, to take over the presidency of Hawaiian Pineapple two years ago, when it was decided that Pres. Henry A. White's plan to develop a full-scale fruit and vegetable line would have to be abandoned, and that such a shift demanded a change in presidents. White, a talent hunter on his own, had found Cornuelle five years earlier in New York.

• Heir Apparent—Budge, when he found his young men, kept them busy under his sharp eye, developed them by letting them size up the possibilities of some new field of investment or operation, or search out some cheaper and better operating techniques. They did



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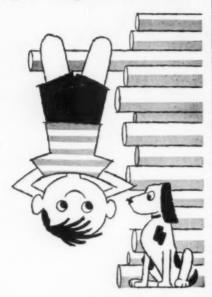




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the work-but he checked the results. Though some went on to other companies, others he kept at home.

And one of these he is grooming as his own heir apparent—Malcolm Mac-Naughton, who followed his brother Boyd's path to Castle & Cooke in 1942. Malcolm, now 49, is Budge's executive vice-president.

#### III. Lock, Stock, and Barrel

Though Castle & Cooke under Budge did the pioneering, it's C. Brewer & Co. under Boyd MacNaughton—now 51—that dramatizes the sweeping nature of the change under way in the Big Five.

This is most evident, of course, in the origins of MacNaughton himself and his vice-presidents. When he became president, he was the first mainlander, with no family connections, ever to head the company. Before World War II, men in comparable positions to his vice-presidents would have been chosen largely from the old island families. Today, only one is island-born—Howard C. Babbitt, vice-president for industrial relations—and he came to the company directly out of the Harvard Graduate School of Business.

The others hail from points somewhat beyond walking distance from the Aloha Tower. D. J. Canty, industrial engineering, came from California; William Kenda, general engineering, and D. J. Martin, production, from Texas. R. G. A. Crowe, vice-president and treasurer, is Burma-born and a former British subject. A sixth, W. L. Winston, vice-president San Francisco, who handles purchases of mainland supplies, is also a Californian.

• Ownership—Not only the management but the ownership of Brewer has passed out of island hands. Some two-thirds of its 1,560 stockholders—both in number and in interest held—are now on the mainland. And they are represented on the Brewer board by two mainland investors who had a hand in the ownership shift — Howard Butcher III of Philadelphia's Butcher & Sherrerd, and J. F. Miller of Blyth

An even more significant sign of the shift came this year. When three trust company members of Brewer's board retired early in the year, Brewer replaced them with three new men who shared a common history as mainlanders who had made good in the islands.

### IV. Everybody's In It

The change at Brewer is most drastic, but it's symptomatic of what is going on at all the Big Five companies and in most other old island businesses. Stock ownership is widening. Profes-

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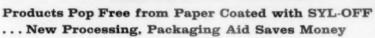
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sional managers are in the ascendancy. Nepotism is dying. Managements are tightening.

 MacNaughton Path—At two others of the Big Five, the top man or his heir apparent has followed the Boyd MacNaughton path up through Hawaiian Pineapple.

One of these men is James H. Tabor, 43, a native of Oklahoma who last year became president of Theo. H. Davies & Co., Ltd., second oldest of the five. It had wooed him away from Hawaiian Pineapple only a year earlier to head up its subsidiary, Honolulu Iron Works. He had been secretary of Hawaiian Pineapple for nine years.

At Alexander & Baldwin, Ltd. (another of the Big Five), the heir apparent to the general managership, the company's key position, is C. C. Cadagan, 58, now vice-president and assistant general manager. Cadagan, a mainlander, started in Hawaiian Pineapple's San Francisco office in 1924. There he worked up to a vice-presidency before moving over to Alexander & Baldwin in 1954.

• Maverick—The only Big Five company that hasn't turned to the Castle & Cooke group for its top men is the former H. Hackfeld & Co., a Germanfounded company that was seized as alien property during World War I and reorganized as American Factors, Ltd. It turned to professional managers from the start, and has brought up most of its top men from inside. C. Hutton Smith, 62, who became president this year, has been with AmFac for 41 years.

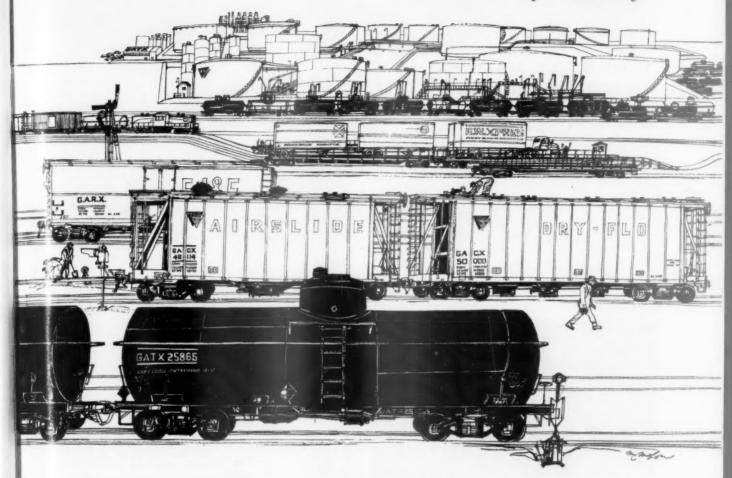
• Wide Trend—But the trend initiated at Castle & Cook is spreading far beyond the Big Five. Many other men from the mainland are now finding their way to the islands, and not as tourists.

There's James C. Stopford, 46, a petroleum engineer from Texas, who walked into Honolulu Gas Co. in 1951 and got a job, climbed to its presidency in 1957. And Arthur D. Lewis, another Texan, now 40, who was brought in from American Airlines in 1955 to become president of Hawaiian Airlines. Another is Rudolph Peterson, president of the Bank of Hawaii since 1955; now 57, he was formerly with TransAmerica Corp.

• Island Tradition—Though the mainland men are bringing mainland professional management practices with them, Hawaiian traditions still retain a hold. One characteristic that still remains from the pre-union, paternalistic days is management's strong sense of community responsibility.

"Most mainland companies," says one executive with wide experience across the country, "don't come within six miles of the Hawaiian companies in community-mindedness." END

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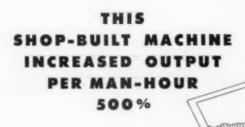
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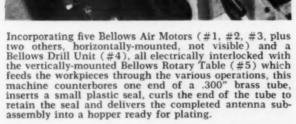


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## Intercollegiate Business Games

IBM sponsored a tournament based on an electronic computer for nine graduate business school teams.

As the football season waned, nine universities with graduate business schools sent five-man teams of mental behemoths to Chicago for what was probably the first face-to-face tournament of business games. At the end of three days, teams from Penn State and University of Illinois (pictures) came out in a tie.

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IBM sponsored the laboratory for management decision-making to show the versatility of data-processing machinery in setting up model business problems and in showing immediately the results of decisions.

• Not Quite First-Last spring, the University of California at Los Angeles set up a similar contest among students of UCLA, University of Southern California, Stanford University, and San Diego State College. But that one was played by mail, and no winner was named, since each school had set its own goal.

In Chicago's in-person tournament, the competing teams were judged on over-all results, and the challenge was heightened by the varying of the playing conditions as IBM fed new economic data into the computer during the games.

• The Playoffs—After a thorough briefing, the games started in three leagues of three teams each: (1) University of Michigan, Ohio State University, and Washington University of St. Louis; (2) University of Chicago, University of Wisconsin, and Penn State University; (3) Oklahoma State University, Northwestern University, and University of Illinois.

IBM mathematicians dressed the Ramac 650 with data simulating the economy of a given industry, then read the results of company operations over a hypothetical three years. Two hours' play equalled one year's business activity.

Each team started with the same assets, made decisions every 30 minutes (quarterly policy changes), and received "quarterly" reports from the Ramac. They found they had to sweat to get their moves down on paper before the half-hour deadlines—studying market reactions to their own moves, industrywide changes, and the once a "year" summations of their competitors. They found they could do it only by efficient delegation of responsibilities.

• Strategy—In the first division, the Michigan team quickly found that its market wasn't very sensitive to price in a rising economy but was sensitive to advertising. By building a rapid course of action around this discovery, it finished with the highest return on investments, highest net assets, and 42% of the total market.

In the second division, Penn State came out on top by investing heavily in research and development; maintaining a large profit margin, and keeping a quality product in a market that wasn't very sensitive to price.

In the third division, Illinois also kept up its prices in a market that

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would bear it and invested heavily in R&D. It also capitalized on a break by keeping enough inventory on hand to jump into the market when Northwestern ran short.

• The Finals—For the playoffs, IBM changed the "economy" from one based on the industry to one partly affected by the industry. When the teams failed to exploit their markets to the utmost, IBM mathematicians fed a slight recession into the computer. They also increased the cost of plant expansion and required higher minimums of capital to be invested in competitive markets. In general, the teams discovered the economic changes almost immediately.

Penn State stuck to its previous strategy: high prices, good service, wide profit margins. Although it experimented a bit to test the astuteness of competitors, it never did test the full depth of the market. In a sense, it beat the machine by dumping its inventory at the end, winding up with more than one-third of the dollar volume of the market.

Illinois tried to build stability into a market it found weak in profits. It didn't try so much for a wide profit margin as for volume. Its "president," Leon E. Richartz, argued in the summation that it was in the best longrange position and in another two years would have had the greatest earnings in the industry.

The judges—all the faculty men except those from the three finalists—took two 6-6 ballots, decided in the end that there is no reason why two companies can't be successful in the same industry with different policies.

with different policies.

• What It's Worth—IBM was thoroughly pleased with the way the project turned out. It provided a contact with business schools and with the executives who will be using computers in the next generation. "For businessmen, this game is like a good bridge game," an IBM man said. "For students, it's like the real thing."

Not all the teachers were wholly enthusiastic. Some felt the game was too simple. "A good poker player who knows a little elementary economics could do as well as anyone," a teacher said. However, Arthur Tebbutt of Northwestern pointed out that the games are still experimental. "I would say they're every bit as realistic as the war games our generals play," he added.

The students themselves seemed to have no reservations. A Wisconsin player summed up their enthusiasm: "Whether or not business schools ever get around to adopting simulators as teaching tools, I got some insight as to how economics works out in business. As a marketing v-p, for example, I would always remember that every time someone in production or research makes a decision, it affects me, too." END

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### Worry Over Balance of Payments

There seems little doubt that this country is heading into a major debate over the measures that must be taken to meet the continuing deficit in the U.S. balance of payments. Indeed, the present controversy over the Administration's decision to shift some of our foreign economic assistance to a "tied aid" basis strongly suggests that as further official measures are adopted—including some in the area of overseas military expenditures—the debate will become prolonged and acrimonious.

The danger in a situation like this is that people will take fixed positions without ever examining the hard facts that lie behind our payments deficit. It is for this reason that we should like to recommend the dispassionate approach just presented to the National Industrial Conference Board in Chicago by Frank A. Southard, Jr., U.S. Executive Director of the International Monetary Fund.

Southard did not even allude to the flurry about "tied aid." His only direct reference to the current debate came in a last-minute addition to his talk, in which he vigorously attacked the notion that the U. S. could go on running a sizable payments deficit for a very long time "if the national interest required it." Such a view was advanced in a basic working paper for a "Balance of Payments Conference" at Princeton last week (BW—Nov.21'59,p28).

The important thing about Southard's talk to the NICB was his statement of the basic reasons why we must have a "satisfactory equilibrium" in our balance of payments. And to three of these reasons, he attached primary importance:

First, the world monetary system, as it has evolved in recent years, puts great emphasis on the role of two reserve currencies—the U.S. dollar and the pound sterling. As a result, foreigners have dollar holdings (in deposits and short-term securities) currently amounting to about \$18-billion, which means that any failure to check inflation at home or control our payments deficit could lead our foreign short-term creditors to shift their balances and produce a critical drain on our gold reserves.

Second, the U. S. consumes more imported materials than any other country in the world, and will find its annual import requirements continually going up as its economy expands. Thus, we must export goods and services on a scale adequate to pay for the imports of goods and services we need.

Third, as a great world power with the largest economy in the world, the U.S. has assumed important international responsibilities that are directly reflected in our balance of payments—large military expenditures abroad, investments of American private capital in foreign countries, and government grants and loans for economic development.

Ideally, says Southard, we should earn a big enough surplus in our commercial exchange of goods and services to cover the greater part of these outflows. But, of course, this is not now the case. And, as he points out, these three big forms of "outpayments" can only be sustained if our balance of payments is in good shape.

Assuming this is a realistic appraisal of the basic elements in the problem—and we think it is—the Administration seems fully justified in the corrective steps it is taking to gain time for this country to achieve a new payments equilibrium.

It seems unfortunate, therefore, that a group of economists from our universities and research institutions used the meeting at Princeton to sound a cry of alarm over what the Administration is doing. Many of the participants—though by no means all—apparently are not aware that times have changed and so has the balance of payments problem.

### A Touch of Common Sense

Efforts to inject some reason into treatment of the farm problem seem all too likely to bog down in election-year politicking (page 25). This is regrettable, for the Eisenhower Administration is sponsoring proposals with real merit. Aimed now primarily at the wheat glut, this plan would be broadened to cover other surplus crops. It aims to abolish the two least defensible features of existing programs:

- · It would abolish the parity formula.
- It would end planting and marketing quotas.

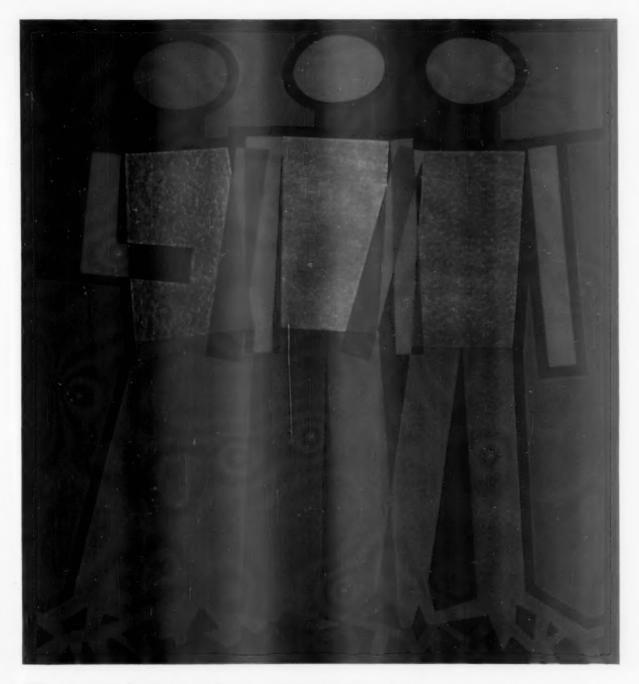
Parity is, and always has been, a hoax. The formula purports to equate the price of the things the farmer sells with the cost of those he buys. This would simply seem to be giving the farmer a fair deal, taken at its face value, and too many people have taken it at just that.

But if you examine parity you find that it is based on farming conditions as they existed before World War I. That base was chosen because it worked out most favorably for the farmer; later, as more advantageous base periods were discovered for individual crops, these have been substituted.

Secretary Benson proposes to substitute price supports keyed to market prices in the preceding three years. This would cushion the farmer at times of declining prices, but would lag behind a rising trend (thus discouraging overplanting for, come a break, Uncle Sam would not bail him out as under today's high supports).

The farmer would, in turn, be allowed to plant and market what he liked. In addition, he would be rewarded for putting unneeded acreage in the "conservation reserve" of the soil bank.

Perhaps it would be unrealistic to expect Congress to go so far in an election year. But, in any event, the program provides precisely the issue for such a year.



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